

Programs Support Individuals through Tax-Deadline Extensions and Penalty Waivers

By Pascal Ungersboeck, Greg Feldberg, and Rosalind Z. Wiggins

Original post [here](#).

Several governments have extended the payment deadline for 2019 income taxes or adopted waivers for late-payment penalties as measures to support household income. Among the OECD's 36 member countries, more than half have implemented such measures. In essence, both policies achieve the same objective which is to relieve households from the burden of a pending income tax payment while affected by the current adverse economic environment.

There are two channels through which governments have supported households by momentarily lifting the income tax burden: (a) an explicit extension of the deadline to pay 2019 income taxes, and, less commonly, (b) waivers of fees, penalties or interest payments related to late income-tax payments. The intervention is especially relevant given that in many countries the national tax deadline is scheduled in the spring. These policies extend the deadline for tax filing and payment by 3 months on average.

Both tax deadline extensions and penalty waivers have seen widespread use across the world and constitute a simple tool to provide relief for cash-strapped households effectively addressing cash-flow issues. At the same time, they provide policymakers with flexibility to extend the length of the program or target especially vulnerable households.

Key considerations in the design of a deadline extension or penalty waiver for income taxes include:

1. Channel: What is the channel for providing the benefits?
2. Eligibility: Who is eligible to receive the benefits?
3. Length: What is the timeframe for the benefits?
4. Administration: How does the individual receive the benefits?

Channel

As discussed above two different channels are available to policymakers: explicit extensions and penalty waivers. In general, the decision appears to depend on the intended length of the extension; extensions of deadlines have been used for short extensions with a large majority providing two or three month relief. Penalty waivers have been used for longer horizons.

Eligibility

Some countries' programs require taxpayers to fulfill certain eligibility criteria to obtain the extension or waiver. These criteria ensure that the policy targets high-need households and eliminate concerns that the policy could lead to tax non-compliance for reasons other than financial need. [German](#) taxpayers, for instance, have to be "directly and not insignificantly affected" by current conditions to defer their tax payments. The tax authority assesses eligibility based on an application that taxpayers submit. Belgium, El Salvador and Singapore implemented similar application systems. In [Singapore](#), as in Germany, the policy targets

taxpayers who are experiencing financial difficulties. [El Salvador](#)'s criteria are sector- and industry-based and ensure that only small taxpayers or those employed in particularly affected industries delay payment. The tax authority can assess eligibility for penalty waivers without requiring taxpayers to apply. The US has taken a universal approach automatically extending the filing and payment deadlines for three months for all taxpayers.

Length of the program

The length of the extension is another key feature of the policy. Horizons vary although many countries opted for a relief period between two and four months. Switzerland and Germany provide the longest relief at 9 months. On the other end of the spectrum, Egypt provides the shortest with a two week extension. The following table provides a more detailed breakdown.

Table 1. Length of the program.

Length	Number of Countries	Countries
up to 1 month	8	Egypt, Canada, El Salvador, Japan, Poland, Sweden, Taiwan, Turkey
Between 1 and 2 months	11	Norway, Algeria, Brazil, Bulgaria, Chile, Cyprus, Dominican Republic, Israel, Lithuania, Malaysia, Thailand
Between 2 and 3 months	12	Bosnia-Herzegovina, Czech Republic, India, Iran, Ireland, Montenegro, Netherlands, Peru, Portugal*, Slovakia, United States, Netherlands
Between 3 and 4 months	1	Uzbekistan
Between 4 and 5 months	None	
Between 5 and 6 months	3	Canada*, Ecuador, United Kingdom
Between 6 and 7 months	None	
Between 7 and 8 months	1	El Salvador
9 months	2	Germany*, Switzerland*

*denotes countries that implemented a penalty waiver

Administration

In most cases, the program's direct benefit is an ability to postpone tax payments. However, some countries offer an intermediate solution by allowing taxpayers to opt into installment

plans to spread the tax burden over time, instead of simply delaying payment. Singapore, El Salvador and Belgium have implemented such programs. In each case, taxpayers have to submit an application and fulfill their respective country's eligibility criteria.

In response to the COVID-19 pandemic, many countries are implementing and extending policies to provide support to individuals. For an overview of different types of programs, see [“Government Support for Individuals in Response to COVID-19.”](#)