

# Potential business impacts of COVID-19

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Working together for crisis readiness  
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Crisis response and management

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Legal: workforce management, contracts, corporate and regulatory, competition & state aid, consumer protection

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# 1

## **Crisis response and management**

Tackle the challenges  
you face in  
responding to the  
COVID-19

## Crisis response and management



- Establish a **crisis response structure** with established workstreams, clear responsibilities and accountabilities.
- Develop **likely and reasonable worst case scenarios** and their potential impact to support crisis and response planning.

## Workforce



- **Assess potential impact and develop options** to support, move or evacuate, using employee location/profile and emerging intelligence data.
- Adjust HR policies to **align with local regulations** (e.g entitlement to continued pay during quarantine).

## Operations and supply chain



- **Perform an operational risk assessment** and consider and plan for the impact of disruption on critical business functions.
- Understand your COVID-19 **supply chain risks and impacts**, including third party suppliers.

## Communications strategy



- Develop a **rapid communications plan** and approach to build and maintain trust and reputation during the crisis for key stakeholders.
- Tailor **best practice templates and communications materials** such as emails, FAQs and intranet.

## Focus on data



- **Identify data needs** and develop protocols for data extraction, preparation and analysis.
- **Model the impact of scenarios** on industry sector or business-level commercial performance, and stress test commercial revenues against downside economic scenarios.

## Customers and revenue



- **Revise your sales strategy** to deal with the evolving customer behaviours and competitive environment (risks and opportunities).
- Prioritise actions to **protect customer relationships** and commercial interests.
- Model customer **behavioural change**.

## Head office functions



- **Legal, IT, Commercial and Insurance:** review existing insurance coverage, IT infrastructure and resilience, force majeure, contract clauses.
- **Finance, Treasury and Tax:** financing, restructuring and cash-flow.
- **Investor Relations:** market disclosure.

# 2

## Legal

Workforce management

Contracts

Corporate and regulatory

Competition & state aid

Consumer protection

# What does Covid-19 mean for your business?

As the state of emergency was declared, taking legal steps to limit the impact of Covid-19 pandemic on the business is crucial

Sector	Examples of potential effects
Tourism	<ul style="list-style-type: none"><li>• Travel bans or restrictions</li><li>• Cancellations of reservations and refund claims</li><li>• Decrease of demand</li></ul>
Transport	<ul style="list-style-type: none"><li>• Closing of state borders</li><li>• Cancellations of reservations and refund claims</li><li>• Decrease of sales</li><li>• Airline companies forced to operate without passengers to keep allocated slots</li></ul>
Commerce/ Retail	<ul style="list-style-type: none"><li>• Lack of demand for luxury goods/ cars/ entertainment goods</li></ul>
Industry / Manufacturing	<ul style="list-style-type: none"><li>• Lack of raw materials due to restrictions in the transport area</li><li>• Delays in the delivery of goods</li><li>• Decreased demand for certain products</li></ul>
Energy/ Resources/ utilities	<ul style="list-style-type: none"><li>• Lack of personnel required for exploitation</li><li>• Decreased use of energy by large clients (factories)</li></ul>
Financial sector	<ul style="list-style-type: none"><li>• Decrease of stock value</li><li>• Devaluation of the national currency</li><li>• Delays in payments of instalments</li></ul>
Social events	<ul style="list-style-type: none"><li>• Cancellation of shows, sport events, conferences</li><li>• Refund claims</li></ul>

# 2.1

## **Workforce management**

Tools to limit impact  
on the people

# Before any cases are reported

## Prevention is key



### Health & safety at work

- Follow WHO and Ministry of Health **recommendations**
- Collaborate closely with the occupational medicine physician, with external H&S services providers and with internal H&S representatives, in order to establish appropriate **prevention and protection measures**
- **Adapt** as the situation changes and **instruct your workers** frequently on H&S measures



### Work management

- *Work from home* is mandatory for the employees that can perform their work in this way
- *Working schedules* can be adjusted for employees who cannot work from home to limit interactions
- *Overdue leave* can be scheduled if activity is reduced
- With the employees' agreement, *overtime can be compensated in advance* by granting paid days off which will be recovered in the following 12 months
- *Workplace or job type can be temporarily changed* without the employee's agreement



### Don't ignore the papers

- Remote work or adjusting working schedules may require **documentation to be prepared**
- Although some measures, like working from home, can, by exception, be ordered by **unilateral decision of the employer** (according to the Presidential Decree dated 16.03.2020), it is recommended for the document to still include the minimum content provided by the Teleworking Law
- It may be a good opportunity to also have in place a **Work from Home policy** – flexible working arrangements can have a positive impact on the workforce even in the long run



### Organize and plan ahead

- Check daily for **updates, orders and recommendations from authorities, including the Ministry of Labor** – new legislative measures and important information may be available
- If you haven't already, organize a **task force** of people in key areas ready to act
- Plan ahead for more difficult scenarios – how can possible **measures imposed by authorities affect the workforce/employer?**
- **Technology** can help organize the workforce in exceptional circumstances – make sure the organization is ready to accommodate more flexible options



Authorities have warned that labor inspections will be performed in the following period to check how orders related to the state of emergency are implemented by employers. Controls from labor inspectors in other areas are suspended.



# If you suspect a case of infection at the workplace

Don't underestimate the possible impact – the measures taken can influence legal liability



1

Any suspicion of infection in the workplace will be reported to the emergency service 112 and the Department for Public Health (DSP)

2

Contracting Covid-19 from another participant in the work process represents both a work accident and a professional disease

4

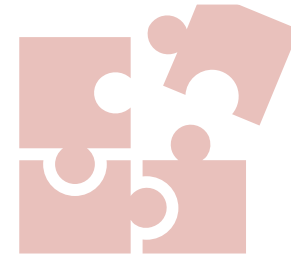
The employer will declare, investigate and record the possible suspicion of infection transmitted in the workplace, both as a work accident and as a professional disease, in accordance with the provisions of the H&S legislation.

3

In the event of an infection in the workplace, it is recommended at least to temporarily change the work place at home for all employees who can work in this way

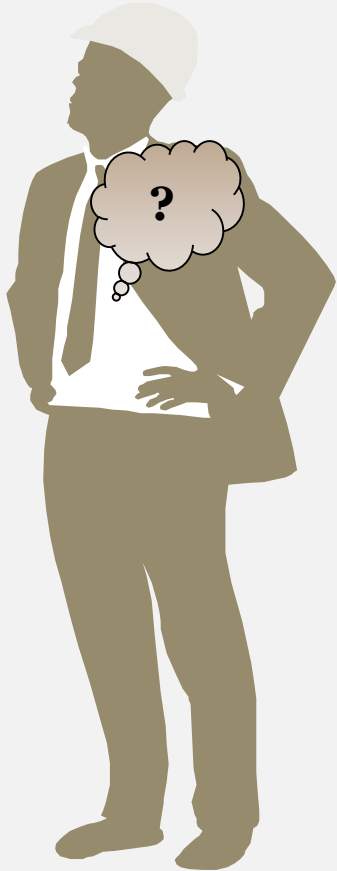
# What is quarantine?

## Navigating through the legal terms



***Self-isolation is different than quarantine. Self-isolation is not foreseen among the causes of suspension of the employment contract, but the Ministry of Health informs that the employees benefit, upon leaving the self-isolation, of medical leave. This would be granted by the family doctor, based on the Public Health Department certificate and attracts the suspension of employment contract.***

# Challenges for mobile workers



## Social security aspects

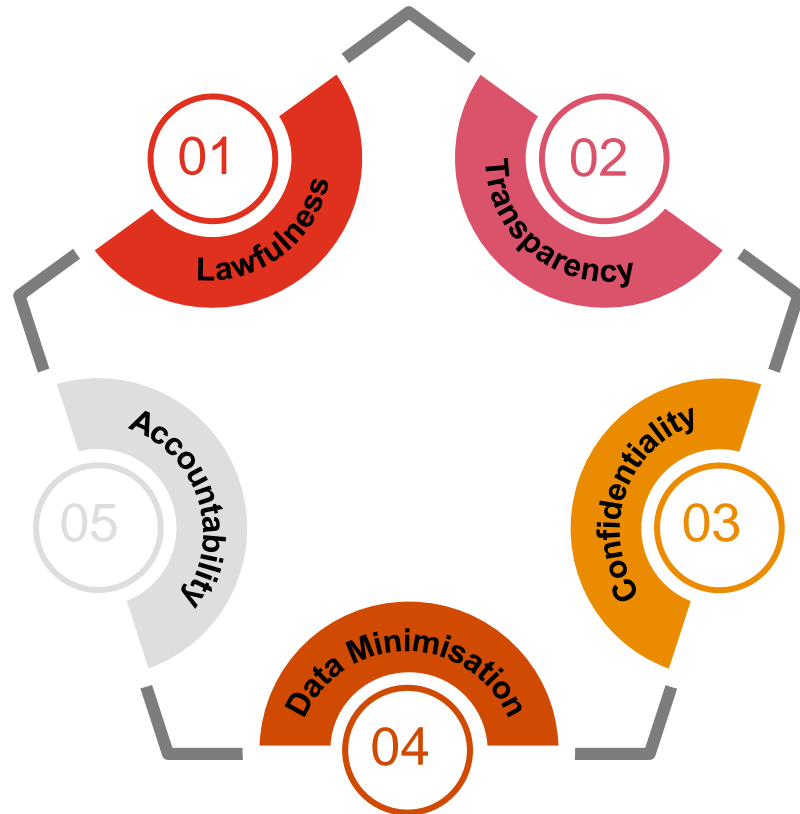
- Identify the countries where the Company's mobile workers are currently located.
- Make sure that they have available proper certificates of coverage/ medical insurances, needed in case of medical emergencies.
- Check if the change of the working pattern triggered by the current situation will have an impact from social security affiliation perspective.
- Ask your local advisor if exceptional provisions from social security perspective are to be adopted by the authorities of the respective country.

## Immigration related aspects

- Check where the Company's mobile employees and what is their current immigration status.
- Identify the immigration risks raised by their presence in a certain country in the context that many countries are closing their borders.
- Verify if there are exceptional rules to be applied from immigration perspective in the respective countries.
- Inform your local provides about the presence of your mobile employees in the respective country to identify the best ways of bringing them home.

# Data Protection and COVID-19

## How can I process health data of my employees?



### 01 Lawfulness

Employers have a **legal obligation** to protect their employees under the health and safety legislation and together with Article 9(2)(b) GDPR provides a legal basis to process health data, where it is deemed necessary and proportionate to do so. Processing may also be necessary for reasons of public interest or to protect vital interests.

### 02 Transparency

The employer shall be **transparent** to employees regarding the health data processing in the context of implementing measures against COVID-19, providing information on the **purpose** of collecting the personal data, the storage period, the recipients of the data, the rights of the data subjects in connection to personal data. Employers shall use a concise, easily accessible, easy to understand, and in clear and plain language notification.

### 03 Confidentiality

The employer shall **not disclose** the identity of affected individuals to any third parties or to their colleagues without a clear justification. However, public health authorities could request this information, in which case disclosure is mandatory.

### 04 Data minimisation

The employer shall process only the **minimum necessary amount of data** to achieve the purpose of implementing measures to prevent or contain the spread of COVID-19.

Employers should not (unless expressly indicated by the law or expressly requested by a competent authority):

- collect information about the body temperature of their employees or visitors to the premises,
- actively gather information about employee's travel outside of work,
- actively collect information on the presence of any symptoms in the worker and his or her closest contacts.

### 05 Accountability

The employer shall **document any decision-making process** which involve the processing of health data in the context of implementing measures to fight against COVID-19.



**We recommend the ongoing consultation of the official website of the Romanian Ministry of Health ([www.ms.ro](http://www.ms.ro)) and also of the measures to be taken for the implementation of the Decree for establishing the state of emergency in Romania.**

# Difficulties in business continuity

Disruptions in supply or demand or severe restrictions imposed by authorities



Employment contracts can be suspended (*technical unemployment*), based on a technical-economic report that justifies the temporary reduction / interruption of the activity, and with the payment by the employer of a compensation of at least 75% of the basic salary corresponding to the job occupied.

If the temporary reduction of activity exceeds 30 working days, the employer will have the possibility to *reduce the work schedule* from 5 days to 4 days per week, with the corresponding reduction of the salary, until the situation that caused the reduction of the program has been remedied, but only after the prior consultation of the union or employees' representatives

During periods of reduction of activity the employer has the possibility to grant *paid days off* from which the *extra hours* that will be performed during the next 12 months can be compensated.

*Overdue rest leave* can also be scheduled during this period

In more severe cases, *individual or collective dismissals* are possible, depending on the impact of the pandemic on the business and the number of employees affected

The legal procedure should be carefully followed and a notice period must be granted to employees



Check for emergency legislation issued during the state of emergency. Derogations from the Labor Code could be adopted soon.

# 2.2

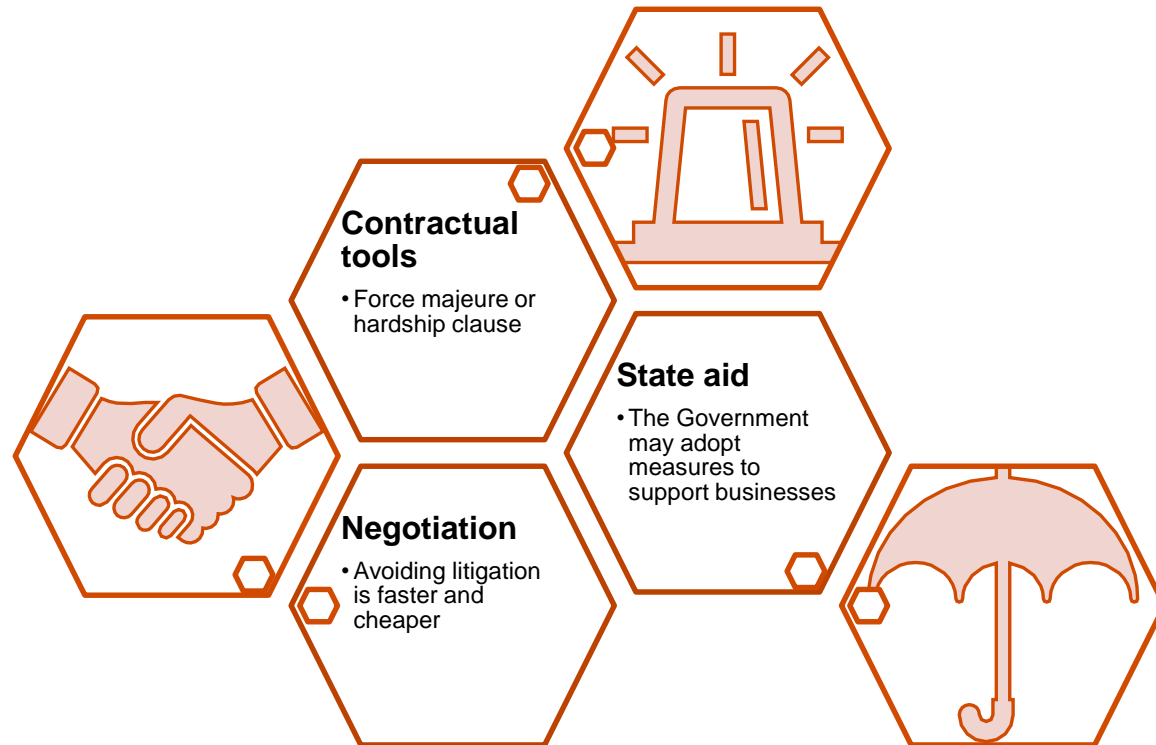
## Contracts

Manage contracts  
during a crisis

# Commercial, financial and public contracts

Identify appropriate tools for ongoing contracts or pending negotiations

## Ongoing contracts



## Contracts under negotiation

### Draft clear and explicit clauses for exceptional events

- It is important to have in place clauses that actually work to protect the business in case of exceptional events, such as the onset of an epidemic. For example, it is recommended to have clear and detailed force majeure and hardship clauses.

### Prepare a negotiation plan

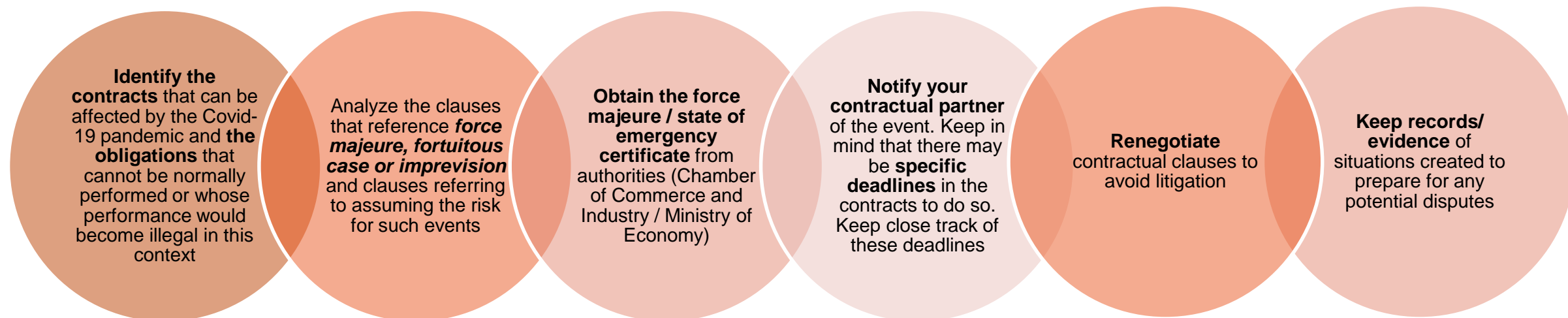
- It is recommended to prepare a negotiation plan for exceptional events, reaching an agreement on risk mitigation mechanisms, such as: the possibility to change the deadlines for fulfilling the contractual obligations, the possibility to invoke the suspension or termination of the contract before the deadline, possibilities of adjusting the price of the contract related to changes in the market (demand / offer).

### Keep in mind

- The parties to the contract under negotiation may not be able to invoke the force majeure/ hardship related to the Covid-19 pandemic at a later point, given that they were aware of the situation at the time of the conclusion of the contract

# Commercial, financial and public contracts

Good organization can help manage ongoing contracts in a time of crisis



The website of the Chamber of Commerce and Industry of Romania (<https://ccir.ro/>) can provide useful information related to the impact of Covid-19 on the performance of contracts



# Public procurement contracts

## Public contracts may undergo modifications during the state of emergency

### Potential negative impact

#### Unilateral suspension / termination of the contracts by the contracting authority

**Context:** in certain cases, the contracting authorities may appreciate that some acquisitions are not of interest anymore, given the current conditions, therefore may decide to unilaterally suspend/terminate the public procurement contract

**OBS:** the contracting authority's right to unilaterally terminate/suspend the contract must be provided for in the contract

**Means to foresee possible risks:** it is necessary to pay greater attention to the contractual clauses that regulate the execution of the public procurement contracts, in particular to the clauses regarding the right of the contracting authority to order the suspension of the execution of the contracts or their unilateral termination.

**Remedies:** under particular and specific conditions, economic operators in this situation may take into consideration the filing of an action for damages to cover the damages caused by the contracting authority's decision to suspend / terminate the public procurement contract.

### Potential negative/positive impact

#### Modification of the public procurement contract, such as, among others, the extension of the duration of the contract, the widening or narrowing of its object et. al.

**OBS:** such situations may occur especially in the case of the procurement of necessary services/products in relation to the current social context (e.g. medicines, medical services, protective equipment, special vehicles for emergency situations, accommodation services for quarantine situations, etc.).

**Means to foresee possible risks:** it is necessary to check the contractual clauses regarding the conditions for the modification of the public procurement contracts, in order to prevent such conduct of the contracting authorities.

**Opportunity:** the modification of the public procurement contract by the contracting authority may come as an advantage for the contractor, in case the contracting authority decides to widen the object of the contract, as in this case the opening of a new public procurement procedure is not necessary.

# Public procurement contracts

## New acquisitions during the state of emergency

### Potential new contracts

#### Non-necessary products

**Context:** As a strictly necessary measure, when the periods of application of public tender procedures cannot be respected for extremely urgent reasons, caused by unforeseeable events and not due to an action or inactions of the contracting authority and which require immediate intervention, **the contracting authorities have the right to make the public procurement with the application of the negotiation procedure without prior publication of a contract notice.** In this context, the contracting authorities may organise non-public procedures for products/ services that are not directly necessary to combat the pandemic.

**Action plan:** for public procurement procedures, other than those for materials and equipment strictly necessary to combat this epidemic, we recommend the preparation of preliminary general documentation that can be easily adapted to a specific procurement procedure, in the context of organizing such a procedure without prior publication of a participation notice.

**OBS:** In this context, greater attention is needed at the negotiation stage, in order to avoid possible abuses by the contracting authorities that could take advantage of the emergency situation to impose unusual and excessive conditions on the contractor.

### Potential new contracts

#### Necessary products

**Context:** by the Romanian President's decree establishing the state of emergency on the territory of Romania, dated 16.03.2020, central public authorities, as well as legal entities in which the state is a majority shareholder, **can directly purchase materials and equipment necessary to combat this epidemic.**

**OBS:** in the case of procurement of medicines by the sanitary units for the treatment of patients with COVID-19, **the prices of the medicines may exceed the maximum prices approved by the Ministry of Health.**

# 2.3

## Corporate and regulatory

Plan, prepare and respond to Covid-19

# Corporate governance

## Plan, prepare and respond to Covid-19



1

### Shareholders and Board meetings

- For the shareholders and board meetings which have already been convened and are due to take place in the next weeks, it may be required for the convening formalities to be resumed in order to include the possibility of a virtual meeting.
- If the AoA does not include the possibility of virtual meetings and vote by correspondence, the amendment of the AoA should be done first.



2

### Extraordinary shareholders and board measures determined by emergency situation

- The shareholders and board meeting should be immediately convened in order to take action in the context of the pandemic, e.g. identify measures to be implemented in order to ensure the health and safety at work, update the Internal Regulations as to include applicable crisis procedures, decide on the suspension or reduction of the business activity.



3

### Improving the net assets position

- Special attention should be paid to the net assets position of the company, especially by those companies who have historically had the net assets position lower than half of the share capital, since the effects of the pandemic cannot be foreseen and might have a severe impact on the net assets position. Urgent action should be sought in this case, such as: conversion of shareholder loans, coverage of losses.



4

### UBO compliance obligations

- The UBO statements must be submitted within a 15 day term as of the approval of the annual financial statements for FY 2019 and, in any case, no later than July 21 2020.
- This is an objective deadline which should be carefully considered by the directors as the UBO statement also needs to be notarized or signed in front the Trade Registry clerks.

# 2.4

## Competition & State aid

Tools to limit impact on the business

# Antitrust and Merger control concerns during the state of emergency

It is essential to ensure that commercial measures taken in case of economic difficulties are objectively justified and in compliance with competition rules

## Key concerns

Although companies might incur business disruptions, the provisions of Competition Law no. 21/1996 are still in force and their implementation is closely monitored by the Competition Council.

The following **antitrust concerns could not be deemed justified** by the potential economic difficulties or any other circumstances and various industries are currently under the scrutiny of the Competition Council:

- exchanges of sensitive information between competitors with regard to: prices, discounts, mark-ups, promotions, volumes, costs, demand, other commercial terms and conditions etc.;
- price fixing among competitors;
- market and/or client sharing among competitors;
- exclusionary practices;
- abuse of dominant position.

With regard to **transactions that are subject to merger control** procedures and have reached the Closing stage, it is essential to comply with the **standstill obligation**, even if certain difficulties might arise in the notification submission procedures.

## First antitrust proceedings in relation to the COVID-19

- The Romanian Competition Council announced on 25 February 2020 an investigation launched with regard to sanitary products and equipment, in the context of excessive price increases. Other competition authorities (UK, Spain, Luxembourg, Italy, Poland etc.) announced they are closely monitoring the markets.
- The Italian Competition Authority announced a similar investigation and also opened proceedings against Amazon and Ebay after receiving several complaints related to the efficiency and potential excessive prices of sanitary products sold on online platforms.
- The Polish Competition Authority has initiated proceedings on unfair conduct of wholesalers supplying personal protective equipment to hospitals.

## Potential Governmental measures

Art. 4 (3) of Competition Law no. 21/1996 allows the Government to adopt certain **temporary measures** when there occurs:

- a crisis situation;
- a major imbalance between supply and demand;
- an obvious market disruption.

## What are the measures that the Government is empowered to adopt?

The Government may enforce temporary measures to **control excessive price increases** or even **freeze prices**.

## How long would such measures be in force?

- Such measures may be adopted for a period of **6 months**, which may be extended successively for periods of up to **3 months**, **as long as the circumstances that determined the adoption of the respective decision persist**.

## Presidential Decree for the state of emergency declaration – 16.03.2020

The Decree establishes the state of emergency a **30-day period**, stating as follows:

*“During the emergency period, **the prices for medicines and medical equipment, for the food of strict necessity and for the services of public utility (electricity and heat, gas, water supply, sanitation, fuels, etc.) can be capped**, within the limit of the average price from the last 3 months before declaring the state of emergency”.*

# EU State aid rules in case of difficulties in business continuity

EU State aid rules enable Member States to take swift and effective action to support citizens and companies, in particular SMEs, facing economic difficulties due to the COVID-19 outbreak

## State aid schemes and individual aids

- Article 107(3)(c) TFEU enables Member States to meet acute liquidity needs and support companies facing bankruptcy due to the COVID-19 outbreak. More specifically, the **Rescue Aid and Restructuring Guidelines**, which are based on article 107(3)(c) TFEU, enable Member States to help companies cope with **liquidity shortages and needing urgent rescue aid**;
- Article 107(3)(b) TFEU, in case of particularly severe economic situations, allows Member States to grant support to remedy a serious disturbance to their economy;
- Article 107(2)(b) TFEU enables Member States to compensate specific companies or specific sectors (in the form of schemes) for the damage directly caused by exceptional occurrences, such as those caused by the COVID-19 outbreak, including measures in sectors such as aviation and tourism.

## How long will it take for the Commission to approve support measures?

- Decisions to grant aid to companies in line with existing EU State aid rules will be taken **within days** of receiving a complete State aid notification from Member States, where necessary.

## Special rules applicable to particularly critical situations & State aid framework flexibility

- Under progress: a special legal framework defining a concrete set of flexible support measures that could be applied on the basis of Article 107 (3)(b) TFEU in case of need.

## EU State aid rules do not apply to:

- financial support from EU or national funds granted to health services or other public services to tackle the Covid-19;
- any public financial support given directly to consumers (e.g. for cancelled services or tickets that are not reimbursed by the operators concerned);
- any public support measures that are available to all companies (e.g. wage subsidies and suspension of payments of corporate taxes, VAT or social contributions);
- this can be complemented by a variety of additional measures, such as under the *de minimis Regulation* and the *General Block Exemption Regulation*.

These measures do not require the Commission's approval under EU State aid rules and Member States can act immediately.

## First state aid measure in relation to the COVID-19 – Denmark



- €12 million scheme to compensate damages caused by cancellations of large public events due to COVID-19 outbreak;
- approved within 24 hours of receiving the notification;
- assessed under article 107(2)(b) of the TFEU: “COVID-19 outbreak qualifies as an exceptional occurrence, as it is an extraordinary, unforeseeable event having a significant economic impact”;
- organisers of events are entitled to be compensated for the losses suffered as a consequence of the cancellations or postponement the events.

# 2.5

## Consumer protection

Addressing  
consumers' potential  
claims



# Consumer protection

## Addressing consumers' potential claims

### On-going B2C relations

Borrowers-consumers in mortgage loan agreements could use the provisions of Payment-In-Kind (*datio in solutum*) Law no. 77/2016 to invoke hardship and obtain a total write-off of their debt, in exchange for transferring the real estate to the lender.

Consumers may request total/partial refund if the trader cannot provide services and/or supply the goods pursuant to the contract. It is advisable to address any consumers' requests and negotiate with them, in order to avoid potential claims filed by consumers with the National Consumers' Protection Agency (ANPC).

### Future steps

Traders should ensure that trading practices, including advertising / marketing materials for products/services are not misleading and/or aggressive. Annex no. 1 of Law 363/2007 listing commercial practices which are in all circumstances considered unfair should be observed.

Traders should review and amend accordingly (if case) their terms and conditions, especially in connection with:

- i. Payment obligations;
- ii. Refunds;
- iii. Termination conditions and scenarios.

# 3

## Accounting and Reporting Considerations

# COVID-19 – Accounting and Reporting Considerations

Companies should disclose in their financial statements the impact that COVID-19 has or could have on their financial position and financial performance up to the moment when the financial statements are issued in order to enable stakeholders and users of the financial statements to understand it.

<b>Matter</b>	<b>Financial reporting implications</b>
<b>Account for coronavirus as an adjusting or non-adjusting event in 2019 financial statement</b>	<p>IAS 10 “Subsequent Events” defines an adjusting event as an event that provides evidence of conditions that existed at the reporting date. A non-adjusting event indicates conditions that arose after the reporting date.</p> <p>The situation at 31 December 2019 was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. The subsequent spread of the virus and its identification as a new coronavirus does not provide additional evidence about the situation that existed at 31 December 2019, and it should therefore be considered a non-adjusting event.</p>
<b>Going concern</b>	<p>IAS 10 states that the financial statements should not be prepared on a going concern basis where events after the reporting date indicate that the going concern assumption is no longer appropriate. This guidance applies even if those events would otherwise be non-adjusting. Entities should therefore consider whether developments subsequent to the reporting date have any implications for the going concern assumption.</p>
<b>Disclosure in 2019 financial statements</b>	<p>Non-adjusting events do not result in adjustment to the financial statements, but they do require disclosure if material. This disclosure should be transparent and specific to the entity, and it should include the nature of the event and an estimate of its financial effect. Entities should consider disclosing the impact of developments after the reporting date on the carrying amount of assets and liabilities (for example, the need to impair assets or remeasure fair values), or the impact on revenue or on borrowing covenants up to the moment when the financial statements are issued in order to enable stakeholders and users of the financial statements to understand it.</p>

# COVID-19 – Accounting and Reporting Considerations

Management have to assess the impact on the measurement of assets and liabilities as at 31 December 2019 and as well to assess the financial impact of subsequent developments that should be disclosed in the Subsequent Events note.

## Business issue

## Financial reporting implications

Significant supplier or customer disruptions, including decreased demand and business interruption

### Impairment - Goodwill and Intangibles

- Triggering events
- Updates to key assumptions - financial forecasts

Disruption of supply chains and reduction in customer spending

### Revenue recognition

- Estimates of variable consideration including updates
- Collectability assessment - needs to be probable

### CECL

- Assess the need for write-offs/reserves

Idle capacity or vacant facilities

- Inventory & long-lived asset valuation issues
- Restructuring & other potential liability recognition

Indirect impacts

- Hedging - Impact to forecasted transactions
- Stock Compensation - Modifications due to changes to earnings targets
- Debt modifications due to lost revenues and diminished cash inflows - uninsured losses could result in trouble debt restructuring or debt extinguishments
- Volatility and estimation process where market-to-market accounting is applied
  - Contingent consideration
  - Bifurcated derivatives

Refinancing Debt considerations

### Debt modification vs Hedge accounting

- Low interest rate environments have caused companies to refinance debt through debt buy-backs, exchanges or derivatives. Such transactions need to be evaluated as modification vs extinguishment or accounting requirements for hedge accounting

# COVID 19 – IPO Impact

Despite current market conditions, IPO preparation and readiness should *not* be side-lined

## Market Sentiment

- The following variables have a strong influence on IPO activity:
  - Capital demand
  - Investor sentiment
  - Stock market conditions
- COVID-19 has shocked the markets since initial fears began to escalate on February 21<sup>st</sup>
  - VIX (CBOE Volatility Index) increased 179% since markets closed on February 21<sup>st</sup>
- Companies have historically avoided IPOs in bear markets, corrections, and periods of high volatility

## Considerations for Companies Contemplating an IPO

**Current market conditions do not provide the foundation necessary for a successful IPO market - though it is rare to have a cessation of IPOs for extended periods**

- Bankers have been postponing launches until clarity exists regarding the impact of the virus

**There are multiple examples of successful listings during economic downturns.**

- Companies looking to go public should continue preparing to ensure readiness when the window opens
- In past periods of inactivity, as recently as 2016, companies were not ready when the market rebounded
    - This exemplifies the importance of pushing forward with IPO readiness when there is softness in the markets to capitalize on the inevitable rebound
  - Ultimately, if the “downturn” is extended, expectations will inevitably adjust and IPOs will continue

## Considerations for Companies in Process of an IPO

**While timing may be postponed, companies further down the path to an IPO with an initial S-1 on file should consider the following:**

- Additional GAAP and SEC disclosures regarding the impact of COVID-19 may be required as result of: (i) direct effects on a company’s operations, and (ii) potential second-order effects (e.g., changes in demand for products or services, the effects on supply chains, etc.). Information on disclosures.
- Financial statement disclosures:
  - Disclosure of risks and uncertainties
  - Evaluate whether subsequent events occurred that require disclosure
- Disclosures elsewhere in the S-1
  - Business, Risk Factors, and MD&A disclosures regarding liquidity and capital resources should be considered.

# COVID-19 – Treasury

## Treasury related issues that many organization are facing from Covid -19

### Workforce

Protecting and ensuring availability of your workforce to deal with treasury activities from execution to payments and financial reporting



### Supply chain

Concerns with resilience of primary service providers (banks, finance sources, card acquirers, technology vendors) and knock on impacts in the event of prolonged disruption



### Decline in sales

Leading to cashflow challenges, working capital and covenant issues and impact on hedging strategies and credit rating



### Operations

Reduced resilience in current processes, organisation and operating model. Can you release payments, perform reconciliations or ensure compliance with treasury policies?



### Travel

Can your organisation cope with remote working if locations become unavailable?  
Does your team have remote access to all key treasury systems?



### Law and regulation

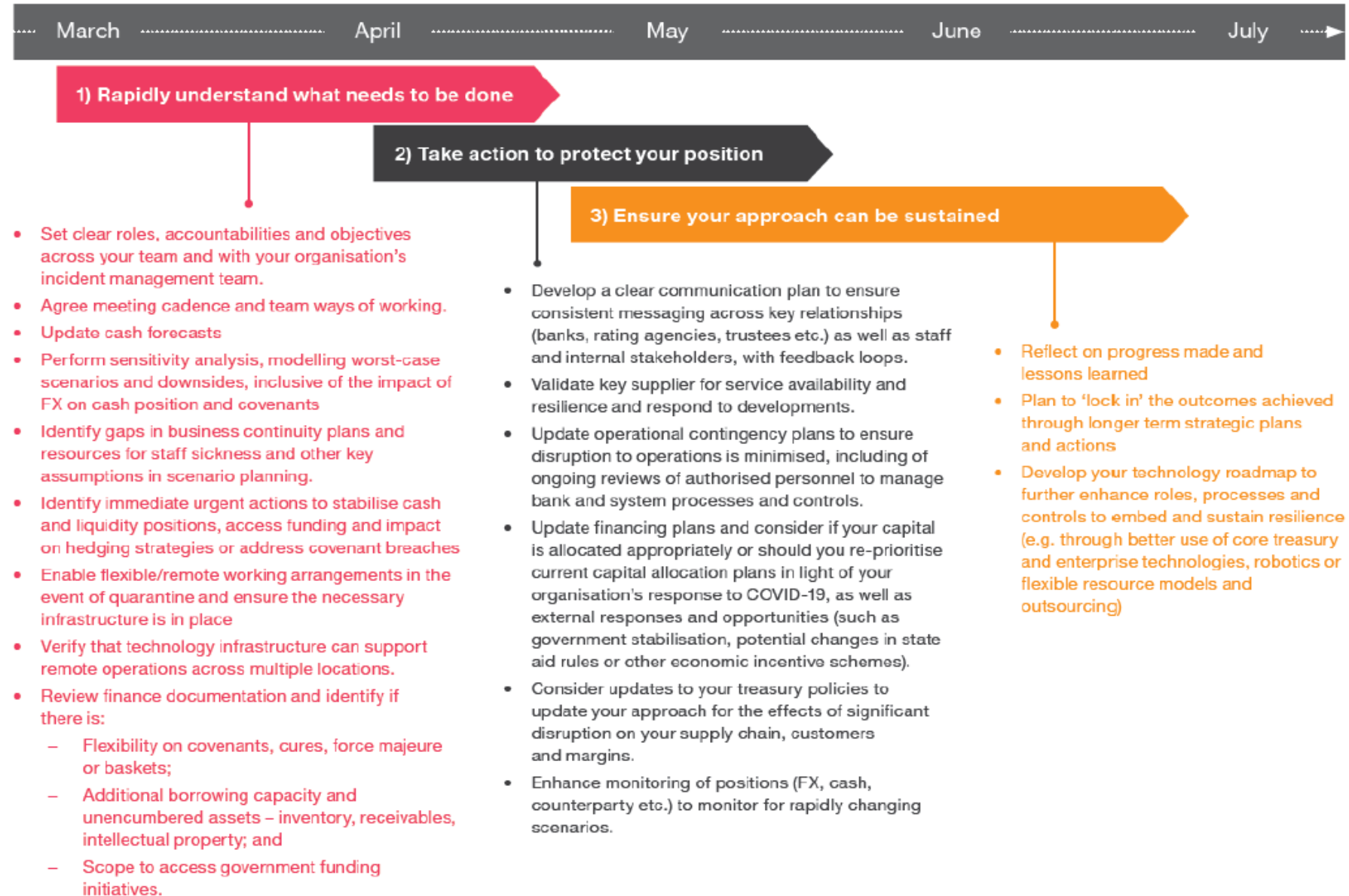
Compliance with terms of agreements and regulations may be frustrated. Leading to knock on issues, e.g. Tax or difficulties accessing funding (material adverse change) or early termination of agreements (break clauses)



# COVID-19 – Treasury Response planning phase

As the COVID-19 global response evolves, organisations are experiencing significant operational, financial and liquidity challenges. The following three key steps should be considered by treasury teams as they respond to the impact of these challenges:

Additional content can be found in the publication: [\*\*In the loop: Are you ready for your stakeholders to ask about the coronavirus?\*\*](#)



# 4

## Tax measures



# Tax measures communicated by ANAF on 16 March 2020



## Deferral of certain tax procedures

- Suspension of enforced budget claims collection or decision not to initiate such enforcement; to achieve this, no orders for payment, garnishment over available funds and over revenues and property seizure will be issued. This will not include any amounts ordered under court judgements in criminal cases;
- Suspension of tax audit proceedings (tax inspections, anti-fraud checks), except for checks that can be performed remotely and except for tax evasion cases, where relevant indications are available;
- Suspension of the antifraud activities related to Filter 2 and of the specific activities at the Hungarian and Bulgarian border checkpoints;
- The 25 March 2020 deadline for filing tax returns is postponed to 25 April 2020.



## Cash related measures

- During March 2020, VAT refunds will be performed for all processed returns/claims for which refund decisions have been already issued;
- Implementation of a new VAT refund mechanism intended to speed up refund claim processing, starting 1 April 2020.



**These measures will apply throughout the duration of the state of emergency in Romania and for 30 days after the termination thereof.**

# Tax measures proposed



## Postponement of payment for social contributions or filing tax forms

- CAS, CASS, CAM for a period of 3 months, with a 5% bonification for taxpayers that benefit from liquidities and decide to pay the obligations;
- Postponement with 90 days for all deadlines provided by Fiscal Procedural Code (including monthly forms D224, D112, D222, financial statements, etc.);
- Rescheduling of payment of tax liabilities for all taxes due to the State for a period of min. 90 days;
- Exemption or decrease of the late payment interest & penalties as well as penalties for non-declaring of tax liabilities that have been rescheduled;
- Use of electronic communication by the tax authorities and by the tax payers submitting returns for local taxes;
- Improve functionalities of SVP (Spatiu Virtual Privat).



## Full deductibility of donations made to prevent, eradicate and fight COVID-19

- Allow deductibility of donations of cash or specific materials used in the fight against COVID-19;
- Allow bilateral or multilateral compensations between taxpayers outside the framework provided by HG 773/2019 in order to decrease financial deadlocks;
- Exemption of custom duties for imports of medicine and health care products necessary for preventing, eradicating and fighting COVID-19;
- Full deductibility for provisions set up for doubtful receivables (not cashed within this period);



## Enlarge scope of the tax exemption provided for reinvested profits

- Tax exemption to be granted for reinvested profits for food and healthcare manufacturers for the excess profits obtained in this period;
- Additional categories of expenses to be allowed for deductibility, such as expenses with travel from and to the working place;
- Additional deductibility for expenses with specific health care goods used to prevent the spread of COVID-19;
- Possibility to return to the quarterly profit tax payments mechanism from the advance profit tax payments;
- Extension of the duration for the immigration documents which are due to expire (for example, with a limited period of 60 days);



## VAT reimbursement with subsequent tax audit and 100% payment as soon as possible

- Fast VAT reimbursement;
- Implementation of VAT reverse charge for B2B transactions for the next three months period for the industries that are most affected by COVID-19;
- Implement a 5% reduced VAT rate for medical equipment and auxiliary goods;
- Reimbursement of other liabilities due by state towards the companies;
- Possibility for VAT adjustments for the receivables which are not cashed within the throughout the duration of the state of emergency in Romania and for 60 days after the termination thereof.

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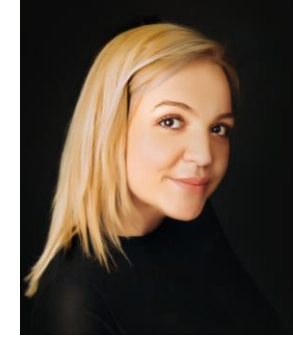


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