

### Taxation

## Measures to Support the Garment Sector from the Partial Suspension of the Everything But Arms Trade Scheme

Pursuant to the Royal Government's intention to improve the economy and to support the garment sector (i.e. textile, footwear, bags, and hats) due to the impact of the partial suspension of the Everything But Arms (EBA) trade scheme, the Ministry of Economy and Finance (**MEF**) issued Prakas No. 319 on 24 March 2020 ("**Prakas**") providing tax relief on tax on income for the impacted garment sector taxpayers.

According to Article 4 of the Prakas, the formula for calculating the level of real impact for the purpose of determining whether the taxpayer qualifies to receive the tax relief is as follows:

$$\text{Level of real impact} = \frac{\text{Impacted export amount}}{\text{Total export amount}} \times 100$$

Furthermore, Article 5 of the Prakas outlines the relief on tax on income for tax year 2020 for the garment sector companies producing textile, footwear, bags, and hats based on the level of real impact as follows:

1. Exempt tax on income for a period of six months for garment sector companies that have the level of real impact ranging from 20% to 39%, by waiving 50% of the total annual income tax liability.
2. Exempt tax on income for a period of one year for garment sector companies that have the level of real impact ranging from 40% to 100%, by waiving 100% of the total annual income tax liability.

To receive the tax relief in Article 5, the garment sector companies producing textile, footwear, bags, and hats are required to submit the necessary documents on the level of real impact from the partial suspension of the EBA trade scheme to the tax administration during the preparation and filing of the annual tax on income.

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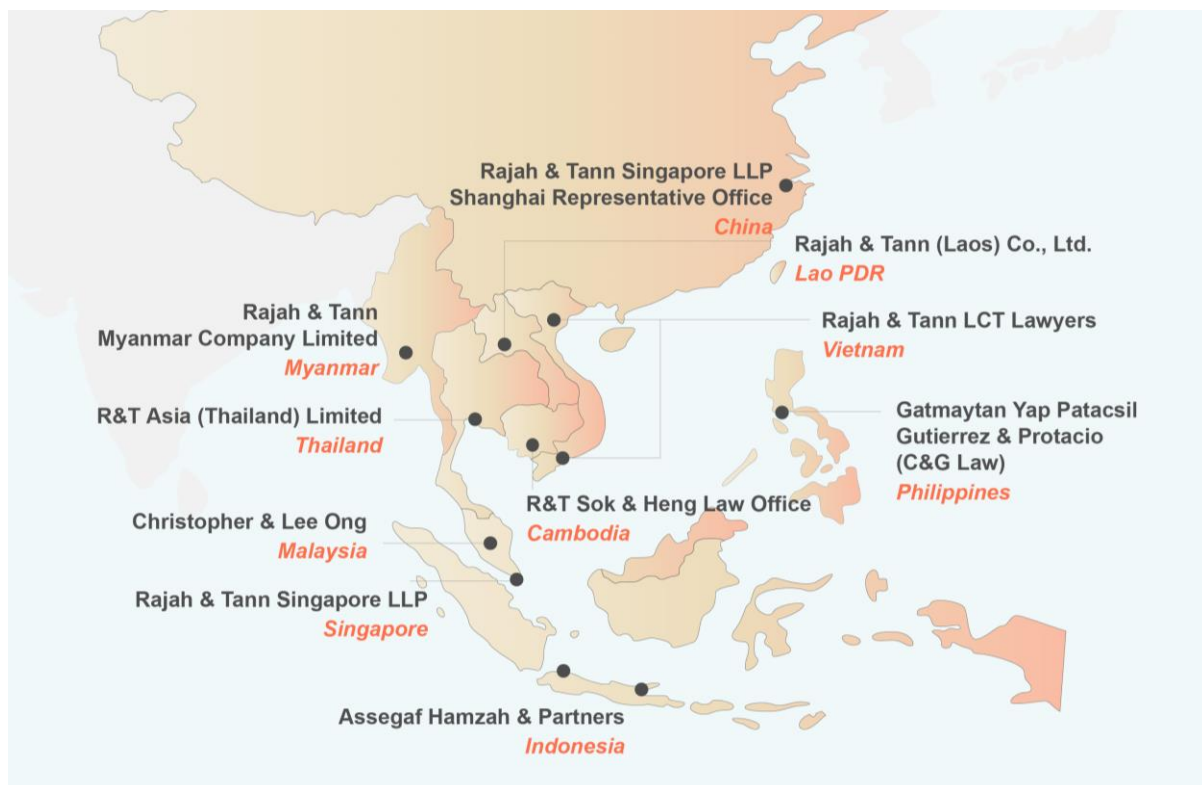
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