

CRISIS SOLUTIONS IMPLEMENTED BY EMERGENCY ORDINANCES IN THE CONTEXT OF PANDEMIC 19 IN ROMANIA

ENEAC CONSTANTIN,
ASSOCIATE PROFESSOR, FACULTY OF EDUCATION, LAW AND PUBLIC
ADMINISTRATION, CONSTANTIN BRANCUSI UNIVERSITY OF TARGU JIU, ROMANIA,
e-mail: constanta_enea@yahoo.com

Abstract

Until mid-2020, fiscal policy has been and still is focused on combating the negative economic and social effects generated by the COVID-19 pandemic. After June, fiscal policy will have to pursue measures to support economic recovery. These real challenges to the medium-term fiscal policy are determined, on the one hand, by the situation of the general consolidated budget registered before the COVID 19 pandemic, and on the other hand by the additional budgetary effort determined by the increase of expenditures and decrease of revenues. , in the context of the pandemic [1].

So the pandemic is testing us all. This is not only an unprecedented challenge for our health systems, but also a major shock to our economies. We need to be prepared to do more as the situation evolves. We must do everything necessary to support Europeans and the European economy. The emergency ordinances issued by the Government in March, in the context created by the coronavirus, generated in practice problems that are difficult to anticipate. Firms were suddenly faced with a completely new legislative framework, essentially well-intentioned, but with insufficient provisions for the multitude of particular situations that arose instantly.

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1. Introduction

All recent published studies suggest that the Covid-19 pandemic has brought temporary stagnation to business and, unfortunately, the first effects are already visible: companies, regardless of their size, have begun to have difficulties, some have had to send their employees in technical unemployment and, worst of all, some have decided to close their jobs.

By the end of 2020, but probably in the coming years, fiscal policy must respond to the far-reaching effects of the Covid-19 pandemic, taking into account, on the one hand, the level of the fiscal budget existing before the beginning of the crisis caused by this pandemic. , and on the other hand by the budgetary efforts made to combat the economic and social effects generated by it.

If before the advent of Covid-19, the budget for 2020 provided for the reduction of the budget deficit to 3.6% of GDP (from 4.4% in 2019), the first budget rectification operation in 2020, carried out against the background of the Covid-19 pandemic, registered an additional financing effort of about 3% of GDP, so that the deficit for this year would reach, according to analysts, 6.7% of GDP. According to Law no.55 / 2020, the most important measures adopted by the Government, with fiscal impact for the population and the business environment, in the context of the Covid-19 pandemic were [2]:

- the program for supporting small and medium enterprises - SME Invest Romania;
- extension of the payment term for the building tax, the land tax, respectively the means of transport tax from 31 March 2020 to 30 June 2020;
- no interest and late payment penalties are calculated and are not due for the fiscal obligations due during the state of emergency and for another 30 days from its termination;
- technical unemployment benefit for the period of suspension of the employment contract;
- allowance for authorized natural persons or other professionals who do not have the quality of employers and interrupt their activity;

- allowance for parents staying at home with children during the state of emergency;
- bonus for companies that pay the profit tax or the income tax of micro-enterprises;
- postponement of customs duty on imports of medicinal products, protective equipment, other medical devices and equipment and medical devices which may be used in the prevention, limitation, treatment and control of Covid-19 [3].

These measures have been taken in line with EU state aid rules that allow Member States to take swift and effective action to support citizens and companies, especially SMEs, which are facing economic difficulties due to the Covid-19 pandemic.

According to these rules, Member States may decide to take measures, such as wage subsidies, the suspension of the payment of income tax, value added tax or social contributions [4]. They can also decide to provide financial aid directly to consumers, or to help companies cope with liquidity shortages and need quick rescue help. Article 107 (2) (b) of the Treaty on the Functioning of the European Union (TFEU) allows Member States to cover the losses of companies directly caused by exceptional events, as in the present case.

For example, the impact of the Covid-19 pandemic in Italy was so great that it allowed the use of Article 107 (3) (b) TFEU, according to which there was a possibility for the European Commission to approve additional national support measures to remedy the serious disturbances in the economy of that Member State. It should be recalled that this Commission is ready to work with all Member States to ensure that possible national support measures to combat Covid-19.

The European Commission considers the Covid-19 pandemic to be an "unusual event beyond government control" [5].

This allows, first of all, the adaptation of exceptional expenses, such as those with healthcare and specific rescue measures for companies and employees. Secondly, the Commission recommended adjusting the necessary fiscal efforts required of Member States in the event of negative increases or major decreases in the activity of companies. Finally, the Commission proposed to the EU Council to activate the general derogation clause in order to allow a more general support of the fiscal policy. The European Commission also states that only through solidarity and coordinated solutions at European level will we be able to effectively manage this public health emergency. Solidarity is essential in this crisis, especially to ensure that the commodities needed to mitigate the health risks of the pandemic can reach those in need. E.g. The Covid-19 pandemic has had a major impact on transport systems, given the close link between European supply chains, supported by an extensive network of land, sea and air freight services. To this end, the Commission has worked with Member States to ensure the movement of essential goods at land borders.

Also, to provide immediate assistance to severely affected SMEs, the EU budget uses its existing instruments to support these liquidity companies, in addition to measures taken at national level. Thus, more than one billion euros have been redirected from the EU budget as a guarantee for the European Investment Fund, in order to stimulate banks to provide liquidity to SMEs and mid-cap companies. This will help at least 100,000 SMEs and small businesses with a market capitalization in Europe to benefit from funding of around € 8 billion. We will also help borrowers who are adversely affected by postponing credit rates (*"credit holidays"*) [6].

2. THE FISCAL EFFECTS GENERATED BY THE PANDEMIC STATE. FISCAL-BUDGETARY POLICY APPLIED TO COMBAT THE EFFECTS OF THE COVID-19 PANDEMIC IN ROMANIA

All the recently published studies reflect that the COVID-19 pandemic has brought temporary stagnation of business and, unfortunately, the first effects are already visible: companies, regardless of their size, have begun to have difficulties, some have had to send employees into technical unemployment and, at worst, some have decided to close their jobs.

In this context, states around the world are being forced to come up with clear measures to help companies and guide them through a concrete action plan. All these measures must be in accordance with the measures imposed by the Council of Europe mentioned above. The measures taken by Romania are similar to those taken at the level of other member states of the European Union. To reflect this reality, the following are ways in which some EU Member States have implemented and are implementing various measures to stop the spread of the pandemic.

Austria has implemented a € 4 billion state aid scheme for companies that have experienced significant declines in revenue as a result of the pandemic. Also, measures have been taken to reduce the working hours to 10% of the previous working time (up to 90%) during 3 months. Under these measures, employees have the right to continuity of remuneration, amounting to 80 to 90% of the previous net remuneration (net compensation rate), which must be paid by the employer. It should be noted, however, that the employer only bears the costs for the hours actually worked during short-term work (for example, if the employee works only 10%, the employer bears costs amounting to 10% of the net compensation rate). The amount representing the difference between the hours worked and the net compensation rate will be financial support and will be compensated by AMS (National Labor Agency), support that will help the employer to maintain employment contracts.

In Finland, taxpayers could request, in accordance with the measures taken by the Government, a postponement for the filing of corporate tax returns or certain methods of payment for related taxes. Similar to the measures implemented by other states, no sanctions are calculated for late submission of VAT returns. Another important measure is the reduction of the social contribution at employer level by 2.6%, a measure which was implemented on 1 June 2020 and will be valid until 31 December 2020.

France offers deferrals from the payment of taxes and social contributions, as well as tax credits for the affected companies (further tax reduction for the directly affected companies). It also offers sums of money for SMEs and the provision of payments to employees who cannot work from home.

Germany provides loans of up to EUR 1 billion, which can be accessed for more than 5 years, either under 5 years or for an unspecified period, by large companies, SMEs and authorized individuals, with a maximum loan of 25 % of revenues in 2019 or twice staff costs, taking into account financing needs over a period of 18 months for small and medium-sized companies and 12 months for large companies. As for employees, the state provides funding of up to 67% of net salary and ceilings are imposed on high-paid employees.

Italy, the country hardest hit by the pandemic, has authorized a moratorium on mortgages. It is the country that provided assistance for the payment of services and adopted the postponement of all payments for utilities (water, gas and electricity) until April 30. In addition, the interest rate for SMEs has been reduced for 12 months and the payment of taxes is being postponed.

The Netherlands has proposed postponing the payment of taxes, without charging penalties for non-payment in subsequent periods. In some cases, the late declaration penalty is reduced from 4% or 8% (special cases) to 0.01%. For the most affected companies, those with a turnover reduction of more than 20%, funds were offered covering up to 90% of employees' salaries (depending on the turnover reduction). This state aid was available for a period of 3 months, with the option to extend it for another 3 months. The state budget was increased from 400 million euros to 1.5 billion euros.

Portugal has introduced a € 3 billion credit line for companies affected by Covid-19 (a company can benefit from up to € 1.5 million). The companies affected by the crisis, which did not lay off their employees, were able to trigger a simplified dismissal, which meant that employees received 2/3 of their salary (70% paid by the state and 30% by the employer).

Spain has introduced an economic stimulus plan with a budget of € 18.23 billion and supplemented the budgets of local governments (€ 1 billion) and social services (€ 25 billion). In

addition, they introduced 3-month tax arrears. A budget of 400 million euros is provided for the tourism sector.

From the European Economic Area, Norway has introduced a profit tax measure so that companies with losses in 2020 can offset them with profits in 2018 or 2019. The date on which the second tranche of the tax is paid has been postponed. from 15 April 2020 to 1 September 2020 and the payment of the social security contribution of employers from 15 May to 15 August 2020. Other measures envisaged concerned VAT, namely the temporary reduction of the VAT rate for transport of passengers, accommodation and museums (from 12% to 8% until 31 October 2020) and postponement of the date for payment of VAT. In addition, a state guarantee scheme has been introduced for new bank loans for small and medium-sized enterprises that have suffered losses as a result of Covid-19. The days paid for the care of young children have been doubled to 20 days (employers have to pay 3 days,

3. Conclusions:

We therefore note that European countries offer significant sums to support companies in difficulty and, in addition, we see other measures aimed at minimizing the risk of an economic crisis (deferral of payment of taxes, non-collection of interest and penalties for delay, temporary tax reductions, measures for the most affected sectors, technical unemployment).

Romania has also implemented a series of similar measures such as:

- bonus for the advance payment of the profit tax / income tax of micro-enterprises;
- postponement of VAT payment for importers of test kits, medicines and protective equipment for Covid-19;
- the postponement from March 31 to June 30, 2020, of the payment term for the building tax, for the land tax, respectively the tax on means of transport, as well as the deadline for granting the bonus for the advance payment;
- no interest and late payment penalties will be calculated for the fiscal obligations due after the date of entry into force of GEO 29 / 21.03.2020, unpaid until the expiration of a term of 30 days from the date of cessation of the state of emergency, respectively 16 May 2020;
- modification of the value of the partial advance payments for the taxpayers who declare the annual profit tax - Art. VIII of the O.U.G. no. 29/2020. Taxpayers can make partial payments due in 2020 at the amount of profit calculated for the first quarter of this year;
- technical unemployment benefits will be able to be reimbursed from the unemployment insurance budget, within the limit of 75% of the average gross earnings (5,429 lei), for employers who reduce or temporarily interrupt the activity totally or partially during the state of emergency;
- days off granted to parents for the supervision of children, in case of temporary closure of schools, for all working days during the state of emergency with an allowance of 75% of gross monthly salary, but not more than 75% of average gross salary monthly at national level;
- aid for SMEs in the form of deferred payments for utility services: electricity, natural gas, water, telephone and internet services and the payment of rent as well as state guarantees for loans and other grants.

Although, at this point, the most important thing is to be healthy, we must not ignore the fact that this pandemic will affect not only the physical but also the morale of society. Therefore, we must come up with reliable solutions, and in order to have them, it is important to maintain a constant dialogue between the main players: authorities, the business environment and professional associations. And, at the same time, let's look at the measures that the states of the world are thinking about for the post-crisis period.

It all depends on the evolution of the epidemic. By March 2020, more than 120,000 diseases, 4,350 deaths and more than 67,000 cures had been reported worldwide. The virus has reached 100 countries, including the Vatican, the world's smallest sovereign state, with cases of disease. The most affected countries, apart from China, are South Korea, Japan, Iran and Italy.

If the quarantine measures of the world's major economies bear fruit in the fight against SARS-CoV2 coronavirus, then the economic losses will be only temporary. But if the virus continues to wreak havoc, we will have to get used to a new disease that kills thousands of people every year in every country, because we will not be able to keep the economy in quarantine indefinitely. For this reason, its impact will be lasting, no matter how long it takes to find a treatment and then a vaccine, precisely because the virus is part of a family of coronaviruses susceptible to mutations.

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