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Review article

COMPARATIVE LEGAL ANALYSIS OF TAX MEASURES TAKEN IN CRISIS CONDITIONS

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Abstract

The world's economic and legal systems are facing a huge challenge to overcome the negative consequences imposed by recent social distortions. In 2020, what started as a health crisis quickly turned into an economic-social problem where an express response was required to ensure the functioning of social actors. This economic-social crisis was followed in a short period by new security crises with additional consequences on national systems. The response to the newly created conditions requires a multidisciplinary approach that will include measures of a health, economic, social, and security nature, adopted on the principles of legislation and expediency within the national legal systems. These measures have their own direct or indirect tax component. The purpose of this paper is to perform a legal analysis of the tax measures taken in the national systems. The scope of the research covers the member states and candidate countries for membership in the European Union. The focus is on the more recent crisis period, with particular emphasis on the COVID-19 period. The analysis primarily focuses on the legal element of the tax measures, the procedure of their implementation, and their legal nature. Also analyzed are the challenges that they have on the taxpayers and the administrative authority for their performance. The method of comparison in the paper is used to compare the similarities and differences between the tax measures in the different national systems and to detect the legal challenges imposed by the established crisis conditions. At the end, conclusions are given about the current situation and recommendations on how the establishment of tax systems should be in the future in crisis conditions.

Keywords: tax measures, crisis conditions, COVID-19, legal analysis, EU, Republic of North Macedonia.

1. Introduction

The financial stability of the world and national economies in the 21st century faced challenges that required a quick and efficient response. At first, it was the financial crisis in 2008, and in recent history, it was the economic crisis caused by a chain reaction of the COVID-19 pandemic. Although it initially started as a health crisis on the Asian continent, it soon grew into a large-scale economic crisis with pronounced legal and sociological implications. However, more than the quick reaction of the states is needed to prevent the occurrence of economic recession at the national and international levels. (Мицевска Лазарова, 2020, p.4)
The seriousness of the crisis caused by the COVID-19 pandemic has its own health and financial background. Each Government, including the Government of the Republic of North Macedonia, had to create the necessary strong response in a different spectrum of areas and protect certain target groups. The first response to the COVID-19 pandemic was measures to protect public health. These measures were wide-ranging but, in principle, concentrated on security measures of isolation and restricted movement, which contributed to different impacts in different sectors. Hence, the impact on the economy was of different speeds and of different quantities. An additional negative characteristic is the great uncertainty in this

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situation. Traditional trade channels were cut off due to the closed borders regardless of the efforts made not to cause a stoppage in the movement of goods. Hence, a secondary response requiring exceptional government intervention to maintain economic activity, prevent mass layoffs, and support social protection systems was realized. (International Labor Organization, 2020, p. 7) This was especially expressed among business entities in the directly affected sectors, such as catering, tourism, and transport, with the implementation of anti-crisis measures by the Government of the Republic of North Macedonia. Some of the anti-crisis measures have a pronounced tax feature.

The paper analyzes the impact of COVID-19 on fiscal policy in North Macedonia by applying the historical-legal method in the analysis of the chronology of events and legal acts related to the pandemic in order to get an idea of the socio-political situation, the official start of the pandemic and the first fiscal responses to the pandemic. The next focus of the paper is the analysis of tax policy and tax measures taken during the pandemic. The paper includes an analysis of the legal acts that were available to the Government and an analysis of the measures of a distinct tax nature that were taken to ensure the minimization of the negative consequences. The paper also includes a comparative analysis of tax measures taken during the pandemic period in member states and candidate countries for membership in the European Union. In this way, an attempt is made to provide an overview of the positive and negative aspects of implementing tax measures and to provide guidelines for creating a resilient tax system in crisis conditions.

2. The Impact of COVID-19 on the Fiscal Policy of the Republic of North Macedonia

Creating a fiscal policy in a crisis requires a systematic, intensive, and effective approach to the analysis of conditions and adequate monitoring of events. When analyzing the impact of COVID-19 on North Macedonia's fiscal policy, the chronology of the events related to the pandemic at the national and international levels is of particular concern. January 8, 2020, is the day that the World Health Organization (WHO) announced that the new coronavirus could cause an epidemic of unknown origin. On January 30, the WHO already declared an international emergency. (Delev & Gjorgjioska, 2022, p. 520) In the Republic of North Macedonia, on February 16, 2020, before the start of the pandemic conditions, the Macedonian Assembly dissolved itself and stopped working. In a short period of only ten days, on February 26, the first coronavirus case was confirmed. As a result of the new conditions, on March 10, 2020, the first restrictive measures were adopted in North Macedonia. (Лазаров, 2021, p. 13) These measures included the closure of all educational institutions, a ban on travel to high-risk countries, and a ban on holding public events and sporting events with an audience. The WHO declared a global pandemic on March 11 at the international level. (Delev, 2021, p. 21) In North Macedonia, on March 14, a decision was issued to close all catering facilities for visitors, and on March 16, 2020, all land and air border crossings were closed. This development of events led to the need to declare a state of emergency on March 18, 2020.

Adopting economic measures was an expected and necessary step, given the developments that resulted in adopting the first package of economic measures on March 19, 2020. After three days, on March 21, a movement ban was announced as an additional measure. So the next day, March 22, the first death from COVID-19 was registered. (Мојаноски, 2021, p. 10) The need for additional economic measures resulted in the adoption of the second package on March 31, 2020. After a month and a half, the economic consequences required a new intervention, which took place on May 17, 2020, with the adoption of the third package of economic measures. Officially, the state of emergency in the Republic of North Macedonia ended on June 23, 2020. (Лазаров, 2021, p. 14-15) On September 26, the fourth package of economic measures was adopted. At the same time, the fifth package of economic measures was adopted on February 16, 2021. Unlike the previous economic packages, the fourth and fifth packages were adopted under the conditions of the existence of an effective legislative and executive body.

The adopted economic packages, in their nature, have a pronounced fiscal component, which contributes to the fact that the fiscal policy is crucial in the response to the crisis caused by COVID-19. Monetary and fiscal policy, as in the previous financial crisis of 2008/09, and now, monetary and fiscal policy have been used by governments to counter economic erosion and support households and business entities. (Арсов, 2021, p. 19-20) However, this crisis caused by the COVID-19 pandemic distorted the context of extremely low nominal interest rates with limited monetary policy means to ease the economic effects caused by the epidemic outbreak. So, as expected, fiscal policy had to lead the response to COVID-19. (World Bank Group, 2020c, p. 1)

Fiscal measures taken by governments were aimed at saving lives, protecting individuals and companies most affected by loss of income, unemployment, and bankruptcy, and reducing the possibility that the pandemic will result in a deep, long-term recession. The Government of the Republic of North Macedonia, following the example of other countries, applied fiscal measures to deal with the recession while supporting households and businesses simultaneously. Most often, the choice and extent of fiscal measures depend on the country's capabilities and access to finance. In the initial period, the Republic of North Macedonia set health care as its immediate political priority, so public spending was focused on medicines and medical equipment. Also, the Government supported households and business entities through tax reliefs, deferrals, wage subsidies, credit lines, and social assistance for the most vulnerable categories, especially with subsidized credit lines through the Macedonian Development Bank.

The main division of fiscal measures in the Republic of North Macedonia can be summarized into fiscal measures to enable health systems to cope with the pandemic and fiscal measures to help severely affected individuals and businesses. The first group of fiscal measures includes the redistribution of costs in healthcare for the response to COVID-19. The second group of fiscal measures to help hard-hit persons and business entities includes tax management, policy, and expenditure measures. As measures of tax management and policy, the most frequently used measure was the postponement, that is, the suspension of tax reporting deadlines. In the Republic of North Macedonia, this was characteristic of income tax for legal entities, personal income tax, and social security contributions. The value-added tax was not subject to any postponement of the deadlines. It is particularly important to emphasize that postponing tax reporting deadlines was not done universally but only applied to sectors affected by the pandemic. Among the tax management measures in North Macedonia was reducing or canceling interest rates on tax arrears.

On the other hand, in the group of tax policy measures, a reduction of para-fiscal duties and exemptions from VAT was applied. In the Republic of North Macedonia, the expenditure measures included subsidies, facilitations for the payment of social security contributions, wage subsidies in the private sector, exclusively for the affected sectors, and additional social transfers (social assistance, unemployment benefits, energy subsidies, pension increases). The other measures include credit lines with subsidized interest rates and guarantee schemes, of which only the guarantee schemes were applied in North Macedonia. (World Bank Group, 2020c, p. 6)

The objective of the fiscal measures was to mitigate the crisis. However, their effectiveness depends on their adequate application of the existing conditions. The need to preserve the income and productivity of the economy, prevent the creation of bankruptcy conditions for commercial companies, and increase unemployment as a result of the lack of short-term income are just a few of the reasons that justify the need for intervention with fiscal measures. (Узунов, 2022, p. 95) Wage subsidies or tax exemptions that have become popular in this crisis have often been used to help businesses reduce fixed costs to stay active and retain workers. Companies from the catering and passenger transport sector and retail services (except food and pharmacies) lost all income during quarantine.

A basic premise in times of crisis is that the fiscal policy response should be efficient, flexible, viable, and sustainable. In these circumstances, speed is of the essence to ensure that support payments reach businesses before they spend their cash. Such costs must be characterized by a time frame and carefully targeted to the sectors concerned because they are expensive. They must be supported by clear rules to reduce uncertainty and increase compliance. Fiscal measures taken in a crisis help to maintain revenues and protect productive capacity in the short term. In order to achieve sustainable productivity and stability, companies need to enter a recovery phase. Therefore, time-limited fiscal measures must be proportional to the speed with which support is enabled and the speed of recovery. (World Bank Group, 2020b, p. 24-25)

Measures that have a pronounced health, humane, and social component carry large fiscal costs, contributing to increased public debt. Therefore, the next challenge facing the country is recession. However, in such a crisis period, the Government must spend more on health to provide funds for households and business entities with limited liquidity and to stimulate demand in the recovery phase, even when revenues are reduced due to the reduction of the tax base, measures to reduce the tax burden and the worsening discipline of taxpayers. (World Bank Group, 2020a, p. 71-72)

3. The Impact of COVID-19 on Taxes

Generating government revenue through taxes was a problem for some countries even before the COVID-19 pandemic, especially in those where the consequences of the financial crisis were still felt. It was characteristic of countries with concentrated business activity and low wages in the real sector that directly affected tax generation. The COVID-19 pandemic has only further increased budget deficits, increased the number of layoffs, and overall increased problems in already fragile tax systems. This situation was felt in developed and developing countries, considering that tax erosion is possible for developing countries due to increased taxpayer activity in the informal economy. (Gillham, & Stubbings, 2021)

The COVID-19 pandemic has had a strong impact on domestic revenue generation. The economic impact on domestic revenues is primarily the result of the slowdown in the activity of business entities, which is reflected in the tax bases of real profit, capital gain, excise duties, and imports. Second, it reflects the reduction in product prices, and third, it is the result of the steps taken to reduce the tax burden by reducing tax rates. In that direction, the impact on domestic revenues is directly proportional to the impact on direct taxes. The impact on direct taxes is a feature of any crisis, including the crisis caused by the pandemic. This impact is twofold because it is expressed through tax relief due to taxpayers' reduced cash flow and income and, secondly, due to the particular decline in tax collection.

The assessment of the impact of the COVID-19 pandemic on taxes is dependent on the specific aspects of the national system of revenue generation. The most common constants defining the economic impact on the tax system are trade taxes and customs duties. For market economies, any fluctuation in the global economy, especially a consequence that affects the interruption of foreign trade, has a large and direct impact on the revenues generated by customs, import duties, excise taxes, and value-added tax. In particular, the impact is intensified through national taxes on consumption due to the disruption of global trade channels of distribution of goods, be it finished or semi-finished products. Importing countries whose taxes are based on the value of oil and oil products face a negative impact from the change in the price of natural resources, especially oil, because there is a parallel drop in oil prices with the emergence of the pandemic. Due to the reduction of business activity, direct taxes, such as corporate income tax and personal income tax, generate a reduced income while negatively affecting their collection. (OECD, 2020, p. 38)

Another aspect of revenue generation is the functioning of the tax administration and compliance with the observance of the COVID-19 protocols. The health measures affected the functioning of the state administrative apparatus in its entirety, including the tax administration, but also the functioning of taxpayers. The suspension of tax collection has a direct impact on the economic response of countries. (Gillham, & Stubbings, 2021) On the other hand, the reduced activity in tax collection carries the risk of taxpayers' tolerance in avoiding tax payments or the occurrence of tax evasion. In negative economic conditions, there is an increase in tax debts because taxpayers direct this type of cash flow in their business activities to raise their liquidity, and they indirectly influence taxes by suspending the payment of salaries, purchases, and loans.

4. Comparative Analysis

4.1 Tax Measures Taken in the COVID-19 Period in the Republic of North Macedonia: Dealing with the health crisis and its challenges, as well as the protection of the population, began with the Government's measures adopted on March 11, and then, on March 18, 2020, a state of emergency was declared throughout the country. In conditions that the Assembly could not meet, the President decided to declare a state of emergency on the entire country's territory on the Government's proposal. (Мојаноски, 2021, p. 10) The emergency ended on June 22, 2020, after being declared five times: twice for 30 days, twice for 14 days, and once for eight days.

The declaration of a state of emergency and protection of the population from infectious diseases was intended to help the Government deal more quickly and efficiently with the health and economic risks caused by the pandemic. Considering the constitutional competencies of the Government during a declared state of emergency, the Government also acted as a legislator by passing decrees with legal force during this period. (Шкариќ, 2015, p. 864) Such authority is regulated by Article 126 of the Constitution of the Republic of North Macedonia, where it is determined that in the presence of a state of emergency, the Government, by the Constitution and the law, adopts decrees with legal force. Until the end of the state of emergency, all government decisions could be implemented immediately. (Тренеска Дескоска, Ристовска, & Трајковска-Христовска, 2021, p. 26) From a fiscal point of view, during this period, the Government can pass a decree for new borrowing of the state, for rebalancing the budget, for redistribution of budget funds from one area to another, for sending more money to healthcare, to help the economy, everything to direct all forces and means to overcome the situations caused by the spread of the COVID-19 coronavirus. For the duration of the state of emergency, a total of 250 decrees with legal force were passed, the largest number of which refers to the areas of economy and finance, health care, and labor relations. (Македонското здружение на млади правници, 2020, p. 4)

Since the appearance of the coronavirus, the Government of the Republic of North Macedonia has adopted five packages of measures to deal with the negative consequences on the economy. Various economic measures have been adopted within these packages, which cover and support the entities and individuals affected by the pandemic. (Мојсоска Блажевски, 2021, p. 23) All packages of anti-crisis measures to support the economy focus on citizens, their jobs, social security, and solidarity, creating an easier environment for overcoming the coronavirus's economic consequences and implementing a quick exit strategy for the post-crisis period. (Влада на Република Северна Македонија, 2022, p. 11)

The first package of measures was adopted on March 18, 2020, as the first and express response of the Government to the emerging situation, and it was aimed at mitigating the impact of the health crisis on the economy. The package consisted of intervention measures aimed at protecting liquidity and jobs, targeted at the citizens and companies most affected by the health crisis. About taxes, the first package of measures provides for an exemption from paying monthly installments for personal income tax and profit tax for the months from March to July 2020 for subjects with reduced incomes, as well as subsidizing 50% of the contributions for April, May, and June 2020 per employee in companies from the affected sectors. Also, customs duties were abolished for certain bases, and the statutory default interest and penal interest for public duties were reduced. (Delev& Jakupova Domazet, 2023, p. 131)

In a short period, there was a need for a second package of economic measures, which was adopted on March 31, 2020, and consisted of specific measures that directly impacted the real economy and directly helped each family and individual separately. The goal was to support the economy, keep jobs, maintain social stability, and help the citizens affected by this crisis. Most of the support was related to the introduced opportunity to postpone and restructure loan repayments for companies and citizens for 3 to 6 months. (Миов, 2020, p. 39) With this package, the suspension of the enforcement law, the ban on opening bankruptcy proceedings, and the exemption from rent for users of social housing were adopted. In this package, the most important measure was support for employers to protect jobs for 14,500 denars (at the minimum wage level) per employee for paying wages for April, May, and June for companies and self-employed workers with a reduced income.

The third package of economic measures, announced on May 17, 2020, was aimed at revitalizing the domestic economy through direct support to citizens and the economy. The purpose of the measures from the third package is to encourage the private consumption of citizens, which creates conditions for a better life and protection of existing and new jobs, as measures that in their nature have direct fiscal expenditures, several measures with a significant amount of budget expenditures were included in this package, primarily payment cards for all unemployed persons, for young people and employees with a net salary of less than 15,000 denars per month. Other measures from this group are support for the private sector for new markets, competitiveness, and modernization; domestic tourism voucher; a payment card to subsidize green oil for farmers; award for doctors and medical staff of infectious disease clinics and departments; unemployment compensation for people who lost their jobs due to COVID-19; financial support for young people in the form of co-financing vouchers for IT and digital skills training; co-financing costs for artisans for the purchase of tools and repro materials; support for the development of domestic start-up products and services through the Innovation Fund; and co-financing of events and conferences with financial support from the state. (Мијовиќ Христовска, 2021, p. 51)

The fourth package of measures was adopted on September 27, 2020, as a direct aid to citizens' economic and social security, as well as to encourage private consumption as a stimulator of social growth. With this package, some of the most important measures from the previous packages have been continued. First, here we mean the measures for financial support for the payment of salaries for October, November, and December and financial support for vulnerable categories through the payment of financial assets to a transaction account for greater consumption and the development of domestic economic activities. (Мицевска Лазарова, 2020, p.10) The fourth package contains a wide range of measures that have a characteristic tax nature, such as the postponement of advance payments of profit tax and personal income tax until March 2021 for companies and business operators; the reduction of the VAT rate for restaurant services and the serving of food and beverages; the reduction of import duties for raw materials and repro materials; the weekend without VAT, reduced budget revenues, i.e., returned value-added tax; the reduction of the daily penalty interest for public charges; the extension of licenses for discotheques, night clubs, as well as for companies from the transport community; the reduction of the VAT rate for craft services and products; the recognition of costs for private health insurance and testing from COVID-19 as a recognized expense. With the fourth package, delayed payment of VAT was allowed five days after the submission of the VAT return. (Delev& Jakupova Domazet, 2023, p. 133)

The fifth package is the last package taken as a reaction to overcoming the negative consequences of the COVID-19 pandemic. It was adopted on February 16, 2021, to create a stable and developing economy. The measures undertaken from the fifth package were divided into four pillars, of which the third pillar of measures has a direct implication on taxes by predicting tax reliefs. First, financial support for registered artisans was foreseen for 2021. Artisans were allowed to have their personal tax advance payment solutions reduced by 50% in 2021 compared to 2020 solutions. In this package, financial support for citizens is foreseen through the extension of the measure for delaying the payment of personal income tax until June 30, 2021. This measure of a tax nature refers to self-employed persons who, according to the Personal Income Tax Law, were exempted from paying advance payments until March 31, 2021. Support for sports clubs had tax implications through establishing the voucher system for tax exemptions. With legal amendments, this package envisaged the cancellation of citizens' interests in public institutions and enterprises. With this measure, public utility companies, public companies, the Administration for Public Revenues, municipalities, and other institutions from public activities were ordered to forgive and erase citizens' debts on the basis of interest in the amount of 100%. The principal owed for more than three months based on delivered utilities and other public services, taxes, and property tax has been rescheduled for payment over 12 months. The last measure with a direct tax implication from this package was the increase in the exemption threshold for taxation of vacation pay from 40% to 80%.

4.2 Tax Measures Taken in the European Union and Its Member States : COVID-19 began to spread in the European Union on January 24, 2020, reaching its peak a few months later. April of the same year is the month with the most infections and deaths in the union. The intensity of certain fluctuations was felt at the end of 2020 and during 2021, which meant taking measures to limit movement and travel and the complete closure of certain sectors. Such restrictive measures led to reduced production and overall economic activity, with which the economic impact of the pandemic was seriously felt in the European Union.

The spread of the pandemic forced the EU to adopt a management strategy on December 2. By adopting this strategy, the European Commission recommended continued vigilance and caution until safe and effective vaccines become available. The European Union insisted on solving the vaccine issue at the union level, with member states having to refrain from individual purchases at the national level. The health measures were aimed at achieving a sustainable reduction and stabilization of new cases, creating sufficient capacity of the health system and adequate capacities for monitoring, detecting, and isolating infected persons. (Rödl & Partner, 2020).

In addition to the health response, the EU also had to respond to the economic impact of the pandemic. The EU-level response was given on December 11, with the finalization of the EU budget deal and the recovery package financed by EU-level borrowing. The funds from the budget intended to reduce the consequences of the pandemic and the recovery package were divided between grants and loans, which were used through a special Institute for Recovery and Resilience, whose operation began on February 21, 2021. The biggest beneficiaries were the member states with high debts affected by the pandemic, such as Italy and Spain and the countries of Eastern Europe. Other measures European institutions took were aimed at building a health safety net, protecting employees and jobs, granting loan guarantees, and flexibility of fiscal rules. Building a health safety net, which involved financing health-related costs, was achieved through the Pandemic Crisis Support Instrument. This instrument operated based on existing prudential credit lines from the European Stability Mechanism.

Regarding the protection of employees and jobs, a temporary instrument based on a loan, supported by guarantees from the EU member states, was foreseen. The next measure included government guarantees for the European Investment Bank to support the financing of companies, primarily small and medium-sized enterprises. The flexibility of the fiscal rules was achieved by the European Commission, which activated the general clause for the delayed application of the EU fiscal rules until 2021, with prospects that it will be extended until 2022. (PwC, 2020a) This way, fiscal adjustment requirements were suspended for countries outside their medium-term target.

During COVID-19, the European Commission introduced temporary flexibility in the state aid rules. This approach ensured EU support for national support measures for critical sectors. The European Commission further directed member states to take advantage of the possibilities in the union system, which allows them to compensate companies for damage directly caused by exceptional events, such as COVID-19, including measures in sectors such as aviation and tourism. On May 8, 2020, the European Commission adopted a second amendment to extend the scope of the temporary framework for state aid to further support the economy in the context of the coronavirus outbreak, which in January 2021 was extended until the end of 2021 by extending the upper limits for state aid.

In response to the pandemic, the European Council amended the VAT Directive, introducing a temporary exemption from VAT for certain imports and purchases. With the end of the emergency, a return to normal (pre-pandemic) VAT rates was foreseen. The next step was the expansion of VAT exemptions. The European Commission has proposed introducing VAT exemptions for goods and services that EU bodies and agencies make available to member states and citizens in times of crisis. Further amendments to the VAT Directive were adopted by the Council of the EU, allowing Member States to apply temporary VAT exemptions to vaccines and test kits as well as closely related services. Member States may also apply a reduced VAT rate to these products if they choose to do so. These tax measures apply only to vaccines approved by the Commission or Member States and test kits that comply with current EU legislation. (PwC, 2020a)

The European Union, with flexibility in fiscal obligations, has left member states the possibility to undertake tax measures individually to respond to the negative consequences caused by the COVID-19 pandemic. In general, the tax measures taken by the Member States can be classified as measures related to personal income taxes, social security contributions, corporate taxes, VAT, and other indirect taxes. The measures related to personal income taxes referred to changes in the tax rate by reducing or increasing it and temporary reductions in the tax base. These measures were primarily aimed at taxes that targeted employees. An additional mechanism was the provision of temporary postponement and further extension of the payment terms. The main trend in social security contributions was the tax rate reduction. At the same time, several member states opted for a permanent increase in the tax base and introduced tax exemptions. Similar to other taxes, the temporary postponement of tax payments was introduced.

Changes to the tax base, reductions, and especially tax exemptions were most often applied to corporate taxes as the most popular measure of corporate taxes. Ten member states reduced the tax rate (Lithuania, Romania, Estonia, Greece, Hungary, Austria, Croatia, France, Netherlands, Slovakia), thirteen member states adopted payment deferrals (Bulgaria, Croatia, Germany, Ireland, Italy, Luxembourg, Malta, Netherlands, Poland, Romania, Slovenia, Spain,

Sweden). Three member states canceled some fiscal duties (Luxembourg, Poland, Sweden). In terms of VAT and other indirect taxes, most countries have reduced the value-added tax rate. On the other hand, regarding other indirect taxes, fourteen member states (Austria, Belgium, Czech Republic, Denmark, Finland, Hungary, Ireland, Latvia, Netherlands, Portugal, Slovakia, Slovenia, Spain, and Sweden) permanently increased the tax rate. Eleven member countries (Estonia, Greece, Latvia, Czech Republic, Denmark, Netherlands, Poland, Slovakia, Slovenia, Hungary, Spain) reduced it. In this area, there is a general trend of broadening the tax base and introducing tax exemptions, mainly intending to promote environmental sustainability and improve public health. (Baldesi, Brusini, & Profeta, 2023, p. 29-30)
The tax measures taken by EU member states were aimed at improving essential economic factors such as competitiveness, purchasing power, employment, and inequality. The reduction of fiscal pressure after the pandemic is positively related to competitiveness. Therefore, reducing the tax base is one of the most successful measures. In that direction, member states that have implemented more policies to change their tax systems have a higher competitiveness. In general, by implementing many initiatives to change their tax systems, the member states show that they have not contributed to an increase in purchasing power. There is an inverse proportionality between the number of policies to increase the personal income tax rate and purchasing power. On the labor market, a positive correlation has been observed between the number of policies aimed at reducing the pressure on personal income and the level of employment. The reduction of personal income tax rates is the most effective measure because it stimulates a positive trend in terms of employment. In principle, tax measures showed indifference to inequality in EU member states. There is little correlation between introducing tax policies to support families, increasing caregiving, and reducing income inequality. (Baldesi, Brusini, & Profeta, 2023, p. 9)

4.3 Tax Measures Taken in the COVID-19 Period in the Balkan Region: The Balkan countries, as well as other countries in the world, had to introduce various measures to mitigate the immediate effects of the crisis. The Balkan countries supported households and businesses through tax reliefs, deferrals, wage subsidies, credit lines, and social assistance for the most vulnerable. (World Bank Group, 2020c, p. 5) In these countries, the following tax measures were mostly implemented in the first phase:

- abolishing or deferring taxes and social security contributions applied to wages to reduce costs for employers.
- providing tax incentives for overtime work of employees in sectors related to health and emergency management
- shortening tax refund processes
- postponement of the deadline for submitting tax returns and payment deadlines
- postponement of provisional taxes applied based on data from the past period or correction with future assessments
- deferment of VAT and export customs duties
- postponement or elimination of some types of taxes where the base may not reflect the current real value (for example, property taxes) (PwC, 2020b, p.2).

These measures are a set of administrative and procedural measures that are characterized as measures that cause substantial changes in tax policy.
Following the response of the EU and its member states, the Balkan countries that are candidate countries for EU membership have taken similar fiscal and tax measures as the EU countries. In this part of our research, some of the fiscal and tax measures adopted by the following countries are analyzed: Türkiye, Albania, Serbia, and Montenegro.
After March 11, 2020, when the first case of COVID-19 was confirmed, Türkiye successively adopted some tax measures. The measures taken are more administrative and procedural to

delay the deadlines for submitting tax returns and tax payment obligations to avoid increased cash difficulties for taxpayers. During this period, many regulations were enacted, and support packages were announced to minimize the economic effects of the pandemic. A characteristic example is the "Shield for Economic Stability" Package, which has a value of 100 billion Turkish Lira. (Koç & Yardımcıoğlu, 2020, p. 139) A flexible working system with minimal staff was introduced in the private and public sectors. The Ministry of Treasury and Finance gradually announced decisions to reduce, postpone, or waive certain taxes. By law, the Ministry of Family, Labor, and Social Services imposed on employers a ban on terminating the employee for three months and so on.

Albania was mildly affected by the first pandemic wave in the spring of 2020. Due to its proximity and close ties to Italy, Albania adopted some of Europe's strictest total lockdown measures in March 2020 as soon as it detected its first case of COVID-19. The Government declared a state of natural disaster that allowed it to use extended powers for three months until its end on June 23, 2020. The Government adopted two packages to support businesses and individuals in 2020. Filing of tax returns to be delayed from March 31 to June 1 for small businesses, and payment of profit tax is for qualified businesses rescheduled, waiver of interest on late payments, increase in the budget for the ministry of health, banks are allowed deferring loan repayments to those affected by COVID-19 without regulatory penalties, reducing the central bank's base interest rate to a record low of 0.5%, and the overnight lending rate to 0.9% are just some of the adopted measures. (World Bank Group, 2020c, p. 12)

After reporting the first case of COVID-19 on March 6, 2020, Serbia adopted the first package of measures to deal with the crisis caused by COVID-19 at the beginning of the same month. Immediately afterward, the Government of Serbia declared a national state of emergency on March 15 and adopted several restrictive measures. (https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#M) From the comparative analysis, Serbia has taken measures similar to our country's. The Government of Serbia adopted several packages of financial measures aimed at facilitating the work of the economy, that is, an initial 3-month delay in the payment of taxes and contributions for employees in all private companies and their delayed payment in 24 installments starting from 2021. Then, delaying the advance payment of profit tax during the second quarter of 2020, as well as wage subsidies, which included the payment of minimum wages for all employees in micro, small, and medium enterprises for three months and the payment of 50 % of the net minimum wage for all employees in large private sector companies and for the unemployed. Also, a 3-month moratorium on execution, interest on tax debt according to rescheduling agreements, and a ten percentage point reduction in the interest rate on tax debt. (Лазаров, 2021, p. 44-45)

Montenegro is one of the countries that, at an early stage, tried to take measures against this crisis to stabilize and preserve its economy. The first confirmed case of COVID-19 was reported on March 17, 2020. Therefore, as a response, the Government of this country adopted three packages of measures to maintain economic stability and preserve jobs. (https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#M) With the measures, the Government provided subsidies for the most affected sectors, such as tourism and agriculture. Also, it adopted a measure to cover 50 to 100% of the employee's minimum wage, depending on the degree of impact of the sector and industry. Postponement of public duties, refund of VAT within 45 days, and credit lines to improve the economy's liquidity were only part of the adopted measures. (Лазаров, 2021, p. 46)

5. Conclusions

The countries in the region, Europe, and the world, including the Republic of North Macedonia, faced the greatest temptation in recent history. The pandemic has directly affected the development of society, the economic flows, and the overall capacities of all countries. It is particularly interesting to monitor the work of institutions, such as health, financial, and tax institutions, dealing with the consequences of COVID-19.

Given the potential for unexpected crises in the future, the need for countries to practice effective decision-making and to incorporate resilience measures into policy decisions during a crisis becomes increasingly urgent. The pandemic and other possible emergencies and related crises require a coordinated response and adaptation of strategic policy.

Strategic and long-term measures that will improve the economy are needed. In particular, a strategic support plan is needed with criteria guided by business logic and rationalization of fiscal and non-fiscal duties and other obligations of employers to ensure working conditions appropriate to the risks. It is necessary to improve state organizations' stability and further development of digital systems. The creation of guarantee funds and startups is necessary. In order to obtain expediency in minimizing the negative consequences, it is necessary to have a plan in case of continuation or repetition of crises and related measures to improve the business environment.

The initial focus of the countries was the primary and short-term remediation of the negative consequences caused by the COVID-19 pandemic, which was an expected move by the finance ministries. Normal economic planning, including planned fiscal reforms, was suspended due to the new conditions. The COVID-19 pandemic has increased pressure on governments to protect their revenues in the short term and delay tax reforms. However, there is no doubt that they need to find a balance between their tax systems' sustainability, fairness, and certainty.

After overcoming the budget deficit problem, the post-crisis period should also be characterized by tax reform. The tax authorities should direct the structuring of the reform towards the construction of a balanced and sustainable system that will ensure greater fairness. It was more than clear by causing massive job losses and changing demographics. The system should generate initiatives and incentives to encourage training and upgrading or retraining of workers forced to leave the affected sectors. To make tax schemes for working from home and taxes for digital services, e-commerce, especially e-commerce in retail. Reformed tax systems should be sustainable and fair, provide security in times of crisis and uncertainty, and encourage companies to direct their capital to investment projects.

Reducing the tax base has disadvantages in conditions of increased unemployment because the burden shifts to consumption taxes and corporate taxes. This strategy is partially investment disincentive, given the fact that it is aimed at corporate profit. A balance is needed in this field so that corporate taxes include incentives for investment in research, development, and training.

A careful approach is also needed in the redefinition of consumption taxes because they can be regressive. The focus should be on products and services belonging to something other than the products and services for mass consumption. Capital taxes are another tool in efforts for equity in tax systems. Although their increase is a difficult choice, they should be aimed at unused, i.e., uninvested capital. The tax system should stimulate increased entrepreneurship and greater investments in crisis conditions.

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