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# Comparative Analysis of Tax Incentives of Selected Countries in the Face of the COVID-19 Crisis

## 1. Introduction

In addition to creating a wave of infections and deaths, the COVID-19 pandemic involved various countries in a particular economic crisis. In such virus-inflicted crises, the effectiveness of economic measures could be a function of the margin of safety in the economy, various sectors level of sustainable development and reserves (Sukharev, 2020) and the ease of access to national financial and international resources (Nobakht, 2023). After all, using various tax incentives was one of the key economic measures extensively used in the COVID-19 crisis by various countries to reduce the negative economic effects of this crisis. Examining and studying the tax incentives of different countries in the face of this crisis and highlighting their strengths and weaknesses will help other countries to make appropriate decisions in times of crisis, such as the COVID-19 crisis.

## 2. Theoretical framework

Tax incentives are among the financial policy tools that could be used to reach many development goals, increase investment and increase the employment of certain groups of investors and economic operators (targeted incentives) or all of them (general or untargeted incentive) (Rezaee, Sabzrou, Rezaee-Pour, 2013). Tax incentives have two types of economic and financial effects. Creating employment, increasing investment and thus increasing the companies and households income flow are of the key economic effects of tax incentives. Additionally, financial effects refer to the flow of government tax revenue. Anyway, the economic effects of tax incentives are wider than their financial effects (Aga Nazari, Aghaee, Joshaghanee-naeeni, 2012). Granting tax incentives usually decreases the government tax revenue; however, there is an expectation of an increase in tax revenue from the granting of some tax incentives in the future in some cases.

## 3. Methodology

This applied study was conducted based on content analysis and comparative analysis, it has examined the tax incentives of Germany, Russia and Spain in the face of the COVID-19 crisis. The required data and information were collected and analyzed by referring to the reliable global information databases of EC, OECD and KPMG and using the checklist tool. In order to achieve the results of the research, the theoretical and experimental bases of the current research as well as the written experiences of different countries in this field were used. Required data and information were collected and analyzed by referring to the reliable global information databases of EC, OECD and KPMG and using the checklist tool. To achieve the results of the research, the theoretical and experimental bases of the current research as well as the written experiences of different countries in this field were used.

## 4. Findings

The findings of the research show that the selected countries studied in this crisis have various tax incentives covering tax deferral, tax reduction, reduction of prepayment of taxes, procrastination of tax, reimbursement of tax losses, zero taxa, paying taxes in installments, tax reduction, tax exemption and deferral of prepayment of taxes have been used to reduce the negative economic effects of the COVID-19 pandemic. Meanwhile, Russia has the most variety, and Spain has the least variety in the use of various tax incentives.

## 5. Conclusion and Suggestions

In crisis time, such as COVID-19 pandemic crisis, when the economy is prone to stagnate, on the one hand, companies look for reducing production and adjusting costs because of the decrease in profits, and governments' tax revenues reduce automatically on the other (Rezaei, 2016). In such cases, as one of the important financial policy tools, the proper and timely use of tax incentives could deter the wastage of government financial resources while supporting companies. Anyway, studying the theoretical and empirical bases of the current study and the written experiences of various countries in this regard reveal that in such cases, one needs to pay attention to different items in using different types of tax incentives, stated here as suggestions of the study.

1. Granting tax incentives to companies should be conditional on proper planning in the companies, not that all of them should be given tax benefits disregarding the planning status of the companies. For instance, those tax incentives must be given to companies that reduce workers' salaries for a period of time instead of firing them.

2. Companies might use external financing tools mainly as debt in nature instead of using internal financing tools such as retained earnings or issuing shares. In this case, the companies could lead the economy towards more critical states by increasing the risk. Hence, granting tax incentives should be at the same time as examining the extent to which companies use their internal financing tools.

3. By examining the extent of damage to various industries, the most damaged industries must be given priority for tax incentives. For instance, in the COVID-19

crisis, the tourism industry faced more damage compared to other industries. Thus, this industry should be prioritized in giving tax incentives.

4. Tax incentives specific to that industry should be used for each industry by examining the status of different industries. This is because it seems that granting the same tax incentives to all industries will reduce their economic stimulation role. For instance, the tax reduction of the transportation industry, which faced more damage in the crisis of COVID-19 epidemic, should be more compared to the postponement of the tax of the virtual sales industry, not damaged much.

However, the cases stated are mostly quantitative. Other tax incentives that could be effective in enhancing the conditions of economic units or at least maintaining the status quo, could be used as a series of qualitative incentives given below.

1. Forgiving tax crimes to reduce the psychological burden of the crisis in the early stages of the crisis for businesses forced to pay tax crimes for any reason.

2. Applying zero tax rate or tax holidays for sensitive and necessary sectors like the health and medical sector to deter the immediate effects of the crisis on these sectors.

3. Adjusting or postponing withholding taxes or tax prepayments in order to reduce the pressure on the cash flow of businesses that are required to pay withholding taxes according to specific government policies and or prepaid.

4. Installment or extension of the tax payment deadline for taxpayers that cannot pay their tax debt on time. In such cases, governments are better to refrain from asking for late payment of taxes.

After all, the effectiveness of tax incentives in such a crisis caused by a virus could be a function of the size and extent of the effect of this disease on various economic sectors, adjustments over time, as well as the type and amount of incentives.

## 6. Ethical Considerations

### 6.1. Compliance with ethical guidelines

All ethical guidelines have been followed in writing this article.

### 6.2. Funding

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### 6.3. Authors' contribution

The authors contributed equally in writing this article.

### 6.4. Conflict of interest

There is no conflict of interest to declare from the author.