

## IMPACT OF THE COVID-19 PANDEMIC ON FISCAL, MONETARY AND ACCOUNTING POLICIES IN EUROPEAN TOURISM AND AGRICULTURE

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**Abstract:** *The beginning of 2020 brought the whole world into a difficult situation at all levels. The motivation for the research comes from the fact that the global pandemic caused by COVID-19 has led many states to take radical decisions and many sectors have been critically affected, including tourism and agriculture. Comparing the impact of value added tax (VAT) quotas, monetary measures and accounting policies in the tourism and agriculture sector in the European Union and the comparison between COVID-19 measures taken by the top 3 European tourism countries and Romania is one of the objectives of this research. The purpose of this investigation is to study the importance of fiscal, monetary and accounting policies in tourism in Romania and to analyze the measures taken by the states with the most tourists in the European Union and Romania. This paper can also be considered as a first part of a study on the impact of COVID-19 on tourism and agriculture in which the measures taken during this period are analyzed. Another major objective is to demonstrate that tourism revenues directly impact demand for agricultural products.*

**Key words:** *fiscal policies, accounting, tourism, agriculture, COVID-19*

### INTRODUCTION

Although at first glance it would be said that tourism and agriculture have no correlation, if we look more closely we will see that in fact the revenues from the sale of agricultural products are closely related to the revenues made by tourism companies.

This statement is the hypothesis of our research from which we will start in order to demonstrate that the higher the income from tourism, the higher the demand for agricultural products [12].

The constant development of Tourism in recent years is being taken into account in the European Union, as it is the third major economic activity [14].

Like other sectors of activity, both tourism and agriculture are liable for taxes and fees, so they cannot be exempted from value added tax because it is an important source of revenue to the state budget [11].

It was noted for its positive impact on government, income, growth, employment and social development. Historically, at Maurice Loire's initiative, VAT was first introduced in France in 1954, and in subsequent years it was adopted by all Member States, with the same aim of increasing revenues [6].

Tourism responds to taxes, also cannot be exempted from this tax because it is an important source of revenue to the budget [8].

This job consists of two main components.

**The first presents** the implication of the level of taxes in the tourism sector, reduced VAT rates applied to key goods and services related to this sector.

Decisions on taxation in tourism must therefore be preceded by extensive research and analysis of their impact on tourism and the budget.

We also presented a panel from the top 10 countries according to WEF (The World Economic Forum) Tourism 2017

Competitiveness index, VAT reduces the rates applied in the tourism sector, VAT change, Revenues and VAT thresholds [2].

**The second component** of the paper highlights a comparison between the COVID-19 measures taken by the first 5 countries from the European Union and Romania. As pandemic COVID-19 continues to spread across the globe, destroying lives, communities and businesses, the European Union and its Member States are working around the clock to combat diseases caused by coronavirus, COVID-19 [3], which will later impact agricultural incomes. We will make an overview of the fiscal and monetary and accounting and accounting measures taken in Romania and in the first 5 member states of the European Union with the most tourists: France, Spain, Italy, Germany, Austria.

The table provides an overview of the fiscal and monetary measures taken in Romania and in the top 5 Member States with the most tourists: France, Spain, Italy, Germany, Austria.

The purpose of this investigation is, on the one hand, to review the application of reduced VAT rates in the tourism and agriculture sector, which are often used as leverage to reduce the tax burden on certain sectors, on the other hand, to analyse both the fiscal and monetary policies taken, in order to highlight the differences between the countries with the most tourists in the European Union and Romania.

**In the third part** of the paper we will test the research hypothesis by which we want to demonstrate that the higher the income from tourism, the higher the demand for agricultural products will increase, using official data from the website <https://ec.europa.eu/Eurostat> [13].

## MATERIALS AND METHODS

We will make a brief overview of the main conceptual aspects of value added tax - VAT in tourism and agriculture in the European Union, thus defining the notion of indirect taxes, value added tax, and to specify the tax rates in countries subject to data analysis.

Indirect taxes shall be those levied exclusively for the sale of goods, services, import and export. These fees are characterised by low collection costs, do not require payment, are included in the selling price regardless of the buyers' income and are regressive [1].

Value added tax (VAT) is an indirect consumption tax paid by the 'taxable person' to the tax authorities and borne by the final consumer as part of the price of the goods bought. VAT is a multi-stage sales tax applied to all stages of the economic circuit, namely: production, services and distribution, up to final consumers, an indirect tax which is established in respect of transactions related to the transfer of goods and services [2].

Furthermore, it is calculated by the difference between the following two amounts: VAT collected (for sales) and VAT deductible (for purchases).

The tourism sector is a significant economic activity in the European Union with a broad impact on government income, growth, employment and social development. Holidays and associated expenses (hotels, restaurants, flights, etc.) are significant elements of the composition of the tax base, so related taxes are valuable for government revenue in many jurisdictions. Reduced VAT rates for consumer categories are already applied in the majority of Member States, so the aim of reducing VAT rates in order to promote travel demand is limited. Since VAT is borne by both residents and non-residents, it is significantly created the taxable base, so the reduction of rates can have a strong influence on VAT revenues.

European legislation is based on Directive 2006/112/EC (post-VAT Directive) on a common system of value added tax, which governs the actual scope of the tax, as well as the application of a minimum standard rate of 15%. For a number of reasons, such as economic growth, public debt, budget deficit, the objectives set at European level cannot be achieved collectively, national governments have the freedom to take their own

measures, but must be in line with the principle of subsidiarity laid down in the Treaty on European Union. Therefore, Member States have the option to apply one or two reduced rates which must be at least 5 % (Article 99 VAT Directive) and may be applied to the goods or services listed in Annex III to the VAT Directive but not to services provided electronically (Article 98(2) VAT Directive) [15].

## RESEARCH RESULTS

### General aspects of value added tax – VAT in European tourism

Since neither VAT rates nor exemptions are fully harmonised, VAT should lead to a high degree of neutrality in competition, so that, within the territory of each Member State, similar goods and services bear the same tax burden, irrespective of the length of the production and distribution chain. (Directive 2006/112/EC). However, in the EU, only around two thirds of total consumption is subject to standard VAT and the other subject to exemptions or reduced rates (Copenhagen Economics, 2007). VAT is often used as leverage to reduce the tax burden for certain sectors, to stimulate specific sectors. In most countries, low rates are applied to tourism and tourism-related goods and services.

The World Tourism Organisation (WTO, 1998) identified some 45 different taxes and charges related to the tourism sector.

Gooroochurn and Sinclair (2003) also pointed out that of these fees, around 30 are created by tourist guests and 15 are subject to hotels and other accommodations, although the change may differ depending on demand and supply price elasticity (Fish, 1982). VAT is one of the taxes that burdens business activities in industry and tourism. It is mostly included in the category of hotel and restaurant accommodation and in all other sections, such as: passenger transport, admission to events or admission to cultural services.

A study by Deloitte and Touche (1998) pointed out that high taxation lowers hotel and tourism revenues, while tourists' decisions about the destination of a trip are strongly influenced by the increase or decrease in the tax rate. According to the 'Low VAT Study on Goods and Services in the Member States of the European Union', if there is a change in rates, it can take up to two years for the full effect to be achieved, while others come up with several conservative assumptions suggesting that it would take four years to achieve the full effect (Reduction of VAT tourism, 2012) [8].

Most EU countries use reduced rates of key tourism-related goods and services. Table No. 1 provides an overview of VAT rates in the tourism sector in the top 10 EU countries on 1 July 2019. We have chosen the top 10 countries related to the WEF Tourism Competitiveness Index for 2019.

The first observation we can make in Table 1 shows us the reduced VAT rates apply to almost all key goods and services related to tourism, with the exception of the United Kingdom, which applies a reduced rate in a single category, passenger transport. Moreover, many countries apply zero rates or exemptions in at least one of the tourism-related fields [7].

For example, admission to cultural services is exempt in most states, e.g Germany, Spain, Austria, Portugal and the Netherlands Secondly, it can be observed that the standard VAT rate is also applied in all the first 10 countries, but not in Romania. From top down, Sweden is the country with the highest standard VAT rate (25%), followed by Portugal (23%), Italy (22%) and Spain, the Netherlands Belgium (all 21%). In the lower part France, Austria, the United Kingdom (all 20%) and Germany (19%). Romania has the lowest standard VAT rate (19%), just like Germany, which is the first in the top. As regards VAT revenues, it is noted that in Sweden, with the highest standard rate, VAT revenues had the highest percentage of GDP (9.2%). The comparative analysis shows that

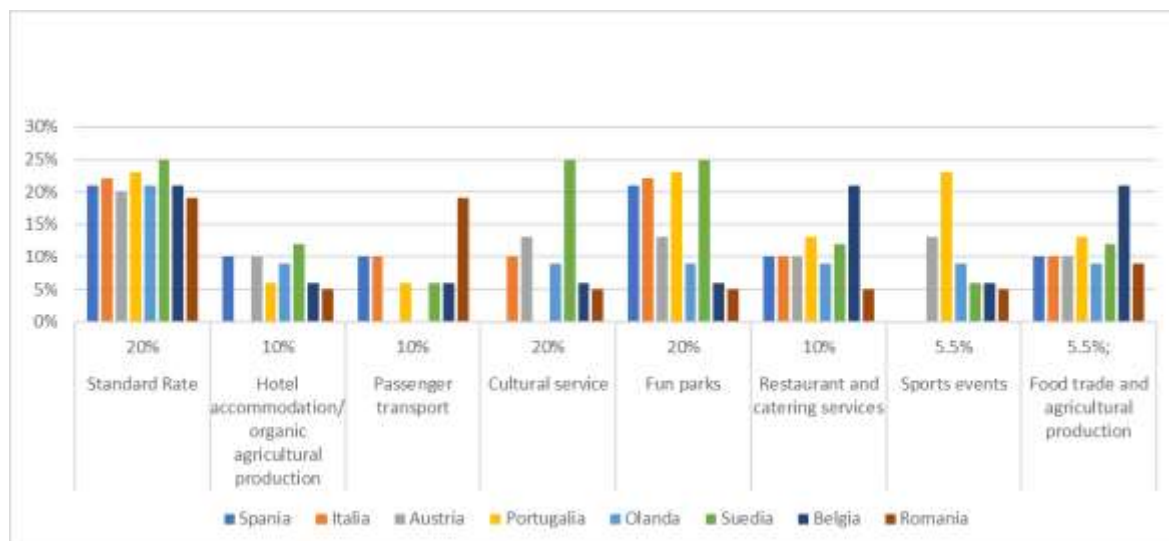
VAT revenues tended in 2019 compared to 2018, in almost all countries except Spain, Belgium and Romania, or remained the same in the country, such as Sweden or Austria [3]. VAT registration thresholds are relevant to the sector, given that small business owners provide many tourism-related services. the collaborative economy suggests that some small tourism-related businesses may grow recently (e.g. house owners who rent a room or car owners). With the exception of the United Kingdom, VAT registration thresholds are similar in the countries analyzed. Sweden has the lowest rate (EUR 8,535) that was recently introduced.

**Table 1.**  
**VAT rates in the tourism sector in certain EU countries on 1 July 2019**

Member States	Standard Rate	Hotel accommodation/ organic agricultural production	Passenger transport	Cultural service	Fun parks	Restaurant and catering services	Sports events	Food trade and agricultural production	Posting Threshold (in Echiv. EUR)
Germany	19%	7% 19%	7% 19%	7%	19%	19%	7% 19%	19%	12 500 €
France	20%	10%	10%	2.1%;5.5%; 10%; 20%	10%; 20%	5.5%; 10%	5.5%	5.5%; 10%	10 000 €
Spain	21%	10%	10%	10%; 21%	21%	10%	10%; 21%	10%	10 000 €
Italy	22%	5.5%; 10%;	10%	10%	22%	10%	10%; 22%	10%	10 000 €
Austria	20%	10%	10%; 13%	13%	13%	10%	13%	10%	11 000 €
Portugalia	23%	6%	6%	13%; 23%	23%	13%	23%	13%	10 000 €
Netherlands	21%	9%	9%: 21%	9%	9%	9%	9%	9%	10 000 €
Sweden	25%	12%	0%; 6%	6% 25%	25%	12%	6%	12%	8 535 €
Belgia	21%	6%	0%; 6%	6%	6%	12%; 21%	6%	12%; 21%	11 200 €
Romania	19%	5%	19%	5%	5%	5%	5%	9 %	7 291 €

Source: EC-VAT tariffs (European Community) applied in EU Member States and online sources, as of 1 July 2019

Table 1 is shown graphically in Figure 1.



**Figure 1. Comparative analysis of VAT rates**  
 Source : processed by the authors based on the data on Table 1

It can be seen from Figure 1 and Table 1 that the policy on VAT rates applied to the agricultural and tourism sectors in Romania is oriented towards the taxpayer more than in other countries because the VAT rates are lower, especially for Catering, Cultural events, Organic Agricultural Products.

**Comparative study on fiscal, monetary and accounting policies for the tourism and agriculture sectors in the European Union**

The comparative study carried out takes into account the COVID-19 measures taken by the first 3 countries of the European Union as a level of revenues from VAT and Romania.

In the next part you can find the centralization of the measures taken by the countries with the majority of visitors from the European Union. The sources of these measures are some official documents of the European Commission and the World Tourism Organization.

**Table 2.**

**Fiscal, monetary and accounting policies of EU countries in 2020**

France	Spain	Italy	Romania
<b>TAX POLICIES</b>			
-suspended tax and social tax payments -rental, electricity and gas bills suspended if the sector's activity is interrupted -postponement of aviation charges for french airlines -the postponement of tax and social security payments for large companies	-Support for businesses, in particular SMEs and self-employed workers, to reduce operating costs -Tax incentives and flexibility in tax payments (personal income tax for self-employed persons, corporate tax and VAT) And special support for SMEs and self-employment -Supporting the jobs of permanent workers with discontinuous contracts -Exemption of 50 % of	-Suspension of tax and social security payments for 2 months in the most affected cities -For the tourism sector the postponement of tax and social security payments until 31 may -Deferral of tax payments (direct, indirect or social contributions) by 31 may, without penalty and zero interest or the possibility of paying 5 monthly installments	Acceleration of VAT refunds. Not the budgetary impact for the whole of 2020 Suspension of the beginning of the enforcement of the sums due to the state budget (exceptions are sums resulting from the court decisions) - deferral (March 31 - June 30) of the deadline to pay tax on buildings, land and equipment transport (local taxes)

	<p>the employer's social security contributions (February to June 2020), for workers with permanent contracts in the tourism sector or related activities</p> <p>-Exemption from the payment of social contributions for maintaining employment by adjustment schemes during COVID-19.</p> <p>-For SMEs the exemption will be 100% and for the rest of the companies 75% of insurance contributions</p>	<p>Later</p> <p>-In the case of emergency situations, Deductibility of donations up to a maximum of EUR 300000</p> <p>-2 year postponement of the fiscal controls for 2015</p> <p>-Tax exemptions of EUR 600 per month for self-employed persons (including VAT)</p>	<p>-deferred payment of all taxes during emergency state + 30 days (3 months)</p> <p>-reduction for taxpayers who pay corporate tax by april 25 (5% for large companies, 10% for others)</p>
<b>MONETARY POLICIES</b>			
<p>-Aid of EUR 1500 to small, independant and micro-enterprises in the sectors most affected.</p> <p>-State aid amounting to EUR 300 billion and the mobilization of PI France for the cash guarantee lines for the companies affected</p> <p>-Support from the State and the Bank of France (credit mediation) in the renegotiation or rescheduling of loans</p> <p>-Public credits with favorable interest rates for companies</p> <p>-allowing the tourism business to issue a loan to customers: credit notes valid for 18 months, instead of reimbursement.</p>	<p>-Extension of the credit line foreseen for the Thomas Cook crisis by 200 million euros, but also its validity for all companies and self-employed</p> <p>-Benefits granted to self-employed workers affected by the suspension of economic activity</p> <p>-The social benefit for energy supply ("social bonus") runs until 15 September</p> <p>-Compensation for suspension of public contracts (caused by COVID-19), to avoid the termination of contracts which would result in the insolvency of companies.</p>	<p>-Approval of additional resources for wages, in order to protect jobs (in the most affected</p> <p>-Allowance of EUR 500/month for self-employed workers)</p> <p>- 50% single contribution (up to €20.000) for the cleaning of work areas in undertakings</p> <p>-Extension of social benefits up to 1/6/20</p> <p>-For persons with an annual income of less than €40.000 granting a premium of €100 per month (if they worked in march)</p> <p>-Eur 200 million from the government to support Alitalia and Air Italy</p> <p>-loan guarantees to affected enterprises and a moratorium on mortgages and payments.</p> <p>-The changes in fiscal policies at the level of the States presented by the VAT reduction have as their main objective the recovery of the economy affected by the crisis caused by COVID-19. The role of the measures presented and implemented at the</p>	<p>the offer of 75% of the salary (not more than 75% of average salary per economy) for parents who have to stay at home with children under 12 years</p> <p>The Executive adopted an emergency ordinance for the support for businesses affected by coronavirus</p> <p>the state will pay the expenses unemployment technique for companies that sent employees to their homes and suspended their activities either due to restrictions imposed by authorities or due to financial problems</p> <p>"the state will pay the minimum wage in the economy of those who cannot claim unemployment technical (self-employment or micro/family businesses)</p> <p>The Regional Development Minister will launch a financing line for A maximum aid of EUR 1 billion for SMEs from european funds</p>

		same time by these countries is measurable for the proper functioning of the economy.	
<b>ACCOUNTING POLITICIES</b>			
Recognition of grants received in accordance with IAS 20 "Grants" through the two approaches: income or capitalization at cost of assets acquired [9]	Recognition of grants received in accordance with IAS 20 "Grants" through the two approaches: income or capitalization at cost of assets acquired [4]	Recognition of grants received in accordance with IAS 20 "Grants" through the two approaches: income or capitalization at cost of assets acquired [5]	Recognition of grants received under OMFP 1802/2014 through the income approach [16]

*Source: processed by the authors based on the data on European Commission, 2020*

It is noted that the policies of the countries analyzed are very similar, given that the European Union seeks to harmonize all states in terms of taxation, monetary policy and accounting.

The change of fiscal policies at the level of the states presented by the VAT reduction has as main objective the recovery of the economy affected by the crisis caused by COVID-19 [8].

The role between the measures presented and implemented at the same time by these countries is quantifiable for the proper functioning of the economy. Unlike developed countries, Romania has implemented a number of fiscal policies (taxation, subsidies) and many others, the impact on developed countries being much smaller [7].

This is a consequence of the fact that developed countries have allocated substantial amounts to them; while Romania relied on austerity measures to reduce the budget deficit to avoid a collapse [17].

A series of measures that would contribute to the development of the economy and implicitly of the economy of the European Community through the multiplier effect would be absolutely necessary by allocating the budget of the Ministry of Development and allocating.

Although we are talking about a consumption-based economy, the intervention of the development public can have long-term positive effects for Romania.

### **Case study on the influence of tourism revenues on revenues from the agricultural sector**

Cavic, D, Radojkovic, M, Vujanovic, M (2020) study in your article that „the subject of the review article is the development of rural tourism based on innovative food products. The aim of this paper is to identify key forms of rural entrepreneurial tourism”.

Because gastronomy plays a significant role in presenting the culture and way of life of a certain area and reflects new trends in tourism-related to authenticity, sustainability, healthy lifestyle, and revival of tradition, they suggested the development of rural tourism should be based on efficient investment in the tourist offer through entrepreneurial projects that are in line with modern demand trends, including the production of food products that are gradually appearing on the market [4].

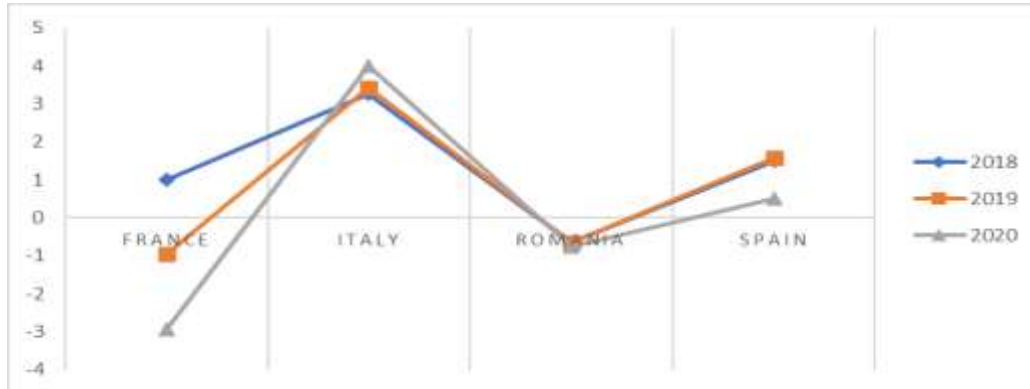
We want to represent tabularly but also graphically the evolution in the last three years of the incomes from tourism and agriculture.

**Table 3.**

**Tourism balance revenues in the period 2018-2020**

	2018 (€ milion)	2019 (€ milion)	2020 (€ milion)
France	4,460	-4,045	-10,980
Italy	14,475	14,353	14,984
Romania	-2,891	-2,728	-2,851
Spain	6,640	6,644	1,849
<b>TOTAL</b>	<b>22,682</b>	<b>14,224</b>	<b>3,003</b>

Source: <https://ec.europa.eu/eurostat>.



**Figure 2. Tourism revenues in the period 2018-2020**

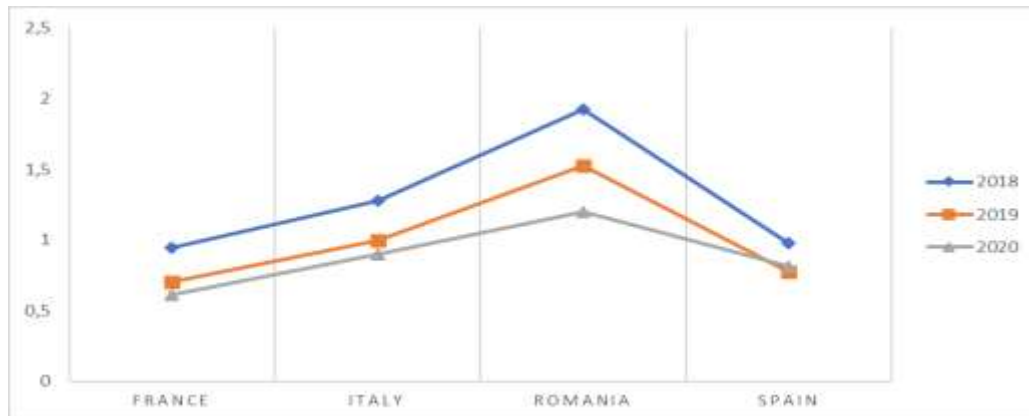
Source : processed by by the authors based on the data on Table 3

**Table 4.**

**Agricultural revenues in the period 2018-2020**

	2018 (€ milion)	2019 (€ milion)	2020 (€ milion)
France	119.28	106.59	92.70
Italy	161.81	150.39	137.03
Romania	243.58	230.92	182.15
Spain	123.87	117.23	124.07
<b>TOTAL</b>	<b>648.54</b>	<b>605.13</b>	<b>535.95</b>

Source : <https://ec.europa.eu/eurostat>



**Figure 3. Agricultural revenues in the period 2018-2020**

Source : processed by by the authors based on the data on Table 4

Analyzing comparatively the two graphs it is observed that like the increase of the incomes from tourism, the incomes from agriculture also increase.

## CONCLUSIONS

Once an optimal solution is found, no frequent changes should be made, given that any change in the tax rate will influence tourist decisions, which ultimately form demand

The emergence of Covid-19 led to a sharp and rapid decline in tourist flows, the most affected industry in the world is tourism. As a result of this situation, in the future behavior of tourists will be defined after the pandemic has stabilized.

Many companies have gone bankrupt, resulting from the multiplier effect of tourism. The opposite is the companies that have chosen to change the model business by resorting to market repositioning.

The negative effects of the pandemic could be controlled, but only by linking the efforts of the state and companies in this period of crisis. Thus, they must set out a series of measures to stabilize economic activity.

Therefore, the measures taken by each State are closely linked to the activity density in that country. Thus, their impact will be visible in the representative statistics on the number of tourists in the coming period.

Like the increase of the incomes from tourism, the incomes from agriculture also increase.

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