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## **“Anti-Crisis Shield” as an Example of State Interventionism During the Crisis Caused by the Covid-19 Virus Pandemic in Poland**

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**Abstract:**

**Purpose:** The aim of the study is both theoretical and utilitarian. This paper aims to characterize the economic support instruments used during the COVID-19 pandemic from a theoretical point of view. From a practical point of view, the study aims to diagnose the economic and social effects of intervention by the State in the economy under the so-called "Anti-crisis shield" during the crisis caused by the coronavirus pandemic Poland.

**Methodology/approach:** The study will use analyses of selected literature in the field of economic and social sciences, legal acts introducing instruments of economic support, content-related, including government studies on the economic effects of the pandemic, statistical data contained in professional papers in the field outlined in this paper.

**Main findings:** The paper will analyze the applied instruments to support the economy during the crisis caused by the coronavirus pandemic.

**Originality/value:** The 2020 COVID-19 pandemic is the first crisis of its kind to affect all countries of the world, with repercussions in all areas of social, economic, and cultural life. For societies, nations, states, or individual citizens, it is something new, unknown, dangerous, and dreadful. The scientific community lacks professional, scientific, synthetic papers on the economic impact of the COVID-19 induced pandemic and its mitigation options. This paper would be a scientific proposal to reduce the negative economic impact of a pandemic with the possibility of applying it in practice.

**Keywords:** Economy of the State, safety of the State, economic security, security science, COVID-19.

**Paper type:** Research in Security Studies.

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## **1. Introduction**

Despite recognizing the importance of the market economy system in the field of economics and the manner of its self-regulation for various reasons and to achieve various goals, the state often intervenes in this system, therefore affecting the economy. For this reason, interventionism is often perceived as an obligation of the state towards the economy. This obligation may stem from considerations being of economic nature and a political or social one. It may be a manifestation of the state's concern for the condition of the economy and its citizens' living standards. Interventionist measures of the state may be especially justified in periods when economic and social crises occur.

Presently, in connection with the persisting COVID-19 pandemic, most of the world's major economies have found themselves in an unprecedented challenging situation. The beginning of the crisis was marked by a decline in demand for goods and services in China, followed by a disruption in the Asian supply chain and commodity markets worldwide. After the outbreak of the epidemic in Italy, and then in most countries in Europe and North America, the crisis came to have a global reach. Aversion to risk rose in financial markets with the United States 10-year interest rate dropping to a record low, stock, and commodity prices plummeted rapidly. At the same time, business and consumer confidence remain at a considerably low level.

In Poland, the state of epidemic risk, and subsequently the state of the epidemic connected with the spread of an infectious disease caused by the SARS-CoV-2 virus, referred to as COVID-19, was announced in March 2020. To counteract the pandemic's negative consequences for the economy, the government prepared a legislative package known as the "Anti-Crisis Shield."

On March 31, 2020, the so-called "Anti-Crisis Shield" was passed in the form of a special purpose act. The act came into force on March 31, 2020 (except for certain provisions). Subsequent acts introducing supplementary measures to the so-called "Anti-Crisis Shield" were passed on April 16, May 16, and June 24 of 2020. The main purpose of introducing these measures was to protect workplaces and ensure citizens' and companies' financial and health security in Poland. It is a set of several dozen important facilities that aim to help companies by providing financial support, subsidies for maintaining workplaces, exemptions from social security contributions, or postponing numerous administrative obligations.

The "Shield" is based on the assumption whereby the public sector, companies, financial institutions, and employees ought to share the costs adequately to their financial capabilities. The support is extended to companies, regardless of their size and scale of operation, whose economic and financial situation and operational capabilities are threatened by decreasing revenues, problems with the supply chain, staff availability, and the risk of losing liquidity or solvency. It is the first and largest

set of Polish history measures, whose total value is estimated to be over PLN 300 billion, i.e., approx. 15% of GDP.

The relevance of the problems discussed, and the social importance of the described economic solutions justify the need to write this article. The study is composed of two main parts. The first part describes the theory of state intervention and its scope, including the contemporary understanding of this category. The second part analyses state support instruments referred to as the "Anti-Crisis Shield," which are targeted at employers and employees concerning the crisis caused by the COVID-19 pandemic. The analysis covers methods of subsidizing corporate operations, organizational and legal solutions making staff employment more flexible, and methods improving the financial liquidity of businesses, mainly based on the facilities introduced by the state concerning paying taxes and other public and legal fees.

## **2. State Interventionism**

The dispute over the extent and methods of undertaking interventionist measures in the state's market economy is amongst the most frequently analyzed and polarising issues in the history of economic thought. The proposed theories are not always implemented in economic practice. The degree of state interference often stems from the country's current economic, political, or social needs instead of the economic model. It is worth remembering that in the market economy system, the specificity of the state's role consists of ensuring the best possible conditions for the functioning of the market, which implies the necessity of minimizing the scope of interference with the market mechanisms. On the other hand, the state should correct the negative impacts of the market mechanism functioning, such as excessive unemployment or excessive income inequality. For this reason, the state creates conditions for the functioning of the market economy, for example, by laying down rules about:

1. Conducting business operations,
2. Issuance of money and other securities,
3. Functioning of the price system,
4. Economic transactions,
5. Non-market allocation of resources in the economy,
6. Establishing social security programs (insurance, family support, health care system, etc.).

It should also be borne in mind that the market mechanism is not ideal for satisfying private (individual) needs. A potential consumer is willing to pay for a given good if they derive individual benefits from this purchase; however, if the purchase might benefit many citizens or society, the consumer is not interested in spending their income on this purchase. This means that the market mechanism does not satisfy collective needs, and in such specific situations, it fails or is ineffective. Thus, state institutions and an administrative mechanism of satisfying collective needs are used out of necessity, in which the state (or a public institution) does not act as an ordinary

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entity but manifests its power to govern and apply coercion, exploiting its capability of governance and activating public authorities to implement their policies as part of state intervention.

The concept of interventionism is ambiguous. Interventionism has come to be generally understood as the interference of the state in the economy. It is the state's activity in the field of the economy that stimulates its development. Interventionism is a system of the state's economic policy. The state directly influences the economy on a macro scale; it is also a set of measures with which the state implements this policy. In other words, interventionism consists of real measures of the national authorities in the economic policy scope.

The main goal of state interventionism is to influence economic growth, reduce the number of unemployed, and improve the economic situation (by stimulating demand). In this approach, state interventionism is manifested when economic entities' operations clash with the public interest. The necessity of interventionism also stems from the fact that the market mechanism generates negative phenomena that it cannot remove independently. These phenomena include:

1. Periodic cyclical fluctuations in the economic situation, which sometimes lead to crisis phenomena,
2. Inability to use the whole working age population in the economy and the emergence of unemployment,
3. Money market instability and the appearance of inflation,
4. Emergence of significant disproportions in the income level,
5. Failure to provide social benefits to the less affluent part of the society. In the scientific approach, there are alternative views on interventionism: as a specific type of economic doctrine, especially the doctrine by J. M. Keynes and his later followers, as a system of methods and measures which the capitalist state uses to influence the functioning of the market mechanism to implement specific general economic goals, and as an economic policy on a macroeconomic scale.

As an economic doctrine, interventionism promotes the state's active involvement in economic processes by creating mechanisms whereby state institutions influence the economy. Economists often emphasize that the most important aspect of interventionism is the performance of certain economic functions in the state's economy. Their scope is not clear-cut and is dependent on the economic model adopted by a given state. In the economic literature, the following functions are generally included: allocation, redistribution, regulation, and stabilization.

The allocative function of the state is caused by the imperfections of the market mechanism, as it is a mechanism which differs from the conditions of perfect competition. The essence of the allocative function consists in the state's deployment

of tools for allocating part of resources in the market economy. The allocation of part of the resources available to the economy results in the provision of goods and services to citizens, local communities and the whole society. The provision of goods and services is financed from public funds and results from, among other things, the necessity to perform the functions assigned to the state. Services such as state administration, justice, national defence, public defence, international cooperation, maintenance and construction of energy and communication infrastructure, sanitary protection, protection of natural resources, implementation of social benefits, etc., would be difficult to organize on market principles. However, failure to fulfil these functions could threaten the proper functioning of society and the state. Thus, the allocative function involves the interference of the state in the distribution and management of public goods. The redistributive function of the state is closely linked to the allocative one.

The impact of redistribution on the economy consists in the fact that, on the one hand, the state has a direct influence on the costs and profitability of production through collecting part of the profits generated by companies and establishing custom duties and other levies, and, on the other hand, through imposing a tax on personal income, the state influences the amount of income left at taxpayers' disposal and thus impacts their purchasing power as well as their willingness to work. Both of these impacts depend on the scale of redistribution – on the tax system and tax policy, among others on the distribution of the tax burden between direct and indirect taxes, on the permissible exceptions from the principle of the equal treatment of taxpayers (e.g., by differentiating taxation rules depending on the amount of their income, types of business, or through tax reliefs and exemptions), on the rules defining the possibility of including various expenses in production costs or income acquisition costs and other elements of the tax system. The influence of customs is similar.

The state's function in the economy is based on a long-standing and still valid observation of human behavior. Whoever can collect income from others and the power to use the collected income to finance other entities' individual or collective needs can shape their behavior. The implementation of the state's tasks – similarly as with other public tasks – requires collecting adequate monetary resources to finance their performance. In principle, the state does not conduct manufacturing operations as a source of income (except for state-owned enterprises). Therefore, it must use other entities' income, thus limiting the possibilities of satisfying their individual consumption and investment requirements.

The redistributive function will therefore consist in alleviating social inequalities resulting from varying income levels by, among others, setting the minimum wage, type and amount of taxes, regulation of rent prices, and provision of free goods (education, medical care, national and internal security). The state is particularly involved in the redistribution of goods, often referred to as the "welfare state." Its functioning requires serious budgetary expenditure, which is not always in line with

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economic efficiency principles but complies with the need to provide social security for citizens.

The state's regulatory function consists of creating and maintaining conditions for fair competition in the economy, which involves counteracting the creation of monopolies and removing structural defects in the economy. In such situations, the state intervenes with appropriate legislation or the appropriate institutions (e.g., the Office of Competition and Consumer Protection).

Stabilization function – consists of mitigating the effects of difficulties that periodically appear in the economy. Long-term effects can be achieved by developing education, promoting science and technology, and creating favorable conditions for business activity. Short-term, temporary effects are usually achieved by the state regulation of demand, e.g., by increasing government expenditure.

Interventionism is often used during periods of economic instability, national economic downturn, or economic crisis. The state then employs appropriate measures to stop economic development and regulate certain economic processes through concrete actions. The most popular tools of the interventionist policy include, among others: monetary, fiscal, and financial policy, state investments, public works, government procurement, interventionist purchases or sales, subsidies and grants for economic entities, protectionism in the field of foreign trade and price regulation. Each of these measures can be implemented through specific actions, e.g., increasing interest rates, direct financing of enterprises struggling with financial difficulties, or taking over the capital of private companies by the state (nationalization).

Interventionism may take various forms, such as:

1. Setting the minimum wage,
2. Introducing a state monopoly in some sectors of the economy, e.g. alcohol production (alcohol prohibition), arms industry, construction and service of roads and other means of transport, postal services, social welfare system, construction, education, defence (conscription), judiciary (only state judicial services),
3. Creating state monopolies by subsidizing the lobbying companies and granting them special privileges, threatening the maintenance of real competition on the free market,
4. Direct subsidies to unprofitable, bankrupt enterprises,
5. Authoritative imposition of interest rates, not resulting from the direct money supply on the market,
6. Distributing money to the market in order to provide social assistance (e.g. unemployment benefits),
7. Regulation of the market by introducing a licensing system for certain forms of business operations – limitation of the possibility of performing in certain

- professions, necessity to hold a state license to work in a given profession (e.g. taxi driver, property appraiser, architect, diver),
8. Direct financing of some economic investments with taxpayers' money, e.g. construction of highways,
  9. Rescuing bankrupt companies through preferential loans, debt relief, as well as taking over bankrupt companies into state ownership, financed from the taxpayers' money,
  10. Purchase of the excess of certain goods and selling them later in order to maintain a constant price level,
  11. Participation of the state in the trade on the financial markets by holding blocks of shares of selected enterprises and issuing its own securities (e.g. bonds),
  12. Direct state intervention in the foreign exchange market, consisting, e.g. in maintaining the exchange rate of its own currency by buying out foreign currencies on the internal market,
  13. Limitation of import and export (e.g. through prohibitive customs duties),
  14. Prohibition of the production and use of certain goods (e.g. alcohol and drug prohibition)
  15. Application of the system, the aim of which is not only to raise funds for the state budget, but also to regulate the market, e.g. by differentiating tax rates in different economy sectors or introducing investment reliefs,
  16. Regulation of the market by mandatory dissolution of certain natural monopolies that were not previously created by government intervention,
  17. Control of the pricing for certain goods, such as milk, cereal, alcohol, cigarettes, gas and electricity.

The reference to the market economy allows for treating interventionism as the active role of the state in relation to the economy, which boils down to a systematic, orderly influence of the state on the overall condition of economic processes while fully preserving the importance of market mechanisms, which continue to organize economic processes. However, interventionism should not be associated only with the market economy since traditional state interventionism also goes beyond the market (so-called indirect interventionism). The interventionism objectives are then located outside the market, which only experiences state intervention effects undertaken to regulate other phenomena or processes. The areas of economic and social life that require state intervention include:

1. Environment protection,
2. Support for scientific research and implementation works,
3. Ensuring the current macroeconomic balance of the country and counteracting abrupt fluctuations during economic downturns,
4. Regulation of labour market relations, counteracting unemployment,
5. Creating social and technical infrastructure,
6. Measures aimed at health and safety at work,
7. Stimulating the development and protection of agriculture,

8. Stimulating cultural creativity,
9. Dissemination of knowledge by the primary and higher education systems,
10. Shaping the balance of payments and foreign relations.

Nowadays, the need for interventionism is also recognized in neoliberal concepts. No state can behave passively towards the economy, disregarding its level, needs, and functioning. Beginning in the second half of the twentieth century, the causes and objectives of interventionism changed, as the most prominent position amongst the causes and objectives of the interventionism of economic nature came to be occupied by causes and objectives of a civilizational and social nature, to which the functioning of the economy and finance were subordinated on a scale wider than just the national one.

International and integrational interventionism emerged, especially one of the EU. Modern interventionism is implemented in traditional forms relating to the protection of economic freedom and free competition and the control of economic and financial processes but primarily through the creation of development strategies, economic programming, and long-term financial planning.

To this end, financial support is provided to the economy, entrepreneurs, and other entities as a part of interventionism. Individual market segments are now protected differently, as new ones are replacing the existing causes. They refer to the values with which the society is more concerned than with the protection of the market and its mechanisms (e.g., the sense of common security and public order, health protection, raising the standards of material security now and in the future, protection of the natural environment and care for the preservation of the national heritage, etc.).

### **3. Tools of the "Anti-crisis Shield" Supporting Entrepreneurs and Employees**

The basic assumption and main purpose of the so-called "Anti-crisis Shield" are protective solutions for employers and employees that can be used in the times of crisis caused by the COVID-19 pandemic. These solutions are intended to allow businesses to survive on the market and protect their workplaces.

The implementation of this support is possible thanks to the state's application of various types of subsidies for the operations of business entities, employee benefits, the introduction of facilities and exemptions related to the necessity of bearing various types of public and legal burdens, reduction of labor costs and extension of deadlines for the implementation of various types of public and financial obligations. Both small and large entrepreneurs, conducting sole proprietorship and persons employed based on civil law contracts may count on the state's support.



### **3.1 Co-financing for Businesses and Making the Employment more Flexible**

The entrepreneurs employing up to 249 people who will record a high decrease in their turnover (at least 30% – understood as a decrease in the sales of goods and services in terms of quantity or value) as a result of the occurrence of COVID-19, during any given two consecutive calendar months of 2020 as compared to the corresponding two months of 2019, may receive – based on an agreement signed with the district governor – co-financing for staff salaries and social security contributions due from these salaries.

The support is granted by a district governor based on an agreement which is concluded with the entrepreneur. Its amount depends on the value of the turnover decrease recorded by the entrepreneur and so: decrease by at least 30% – financial support up to 50% of the remuneration of individual employees (no more than 50% of the minimum wage), decrease by at least 50% – financial support up to 70% of the remuneration of individual employees (no more than 70% of the minimum wage), decrease by at least 80% – financial support up to 90% of the remuneration of individual employees (no more than 90% of the minimum wage). The support may be granted for no more than 3 months from the month of application.

In the case of a large drop in turnover (at least 30% – understood as a reduction in the sales of goods and services in terms of quantity or value) due to COVID-19, entrepreneurs (natural persons employing no staff) may count on support. A district governor may grant support covering some of the costs of running a business to such persons. To receive the support, they must record a decrease in turnover during any two consecutive calendar months of 2020 compared to the corresponding two consecutive months of 2019.

The amount of funding depends on the level of turnover decrease: decrease by at least 30% – financial support in the amount of 50% of the minimum monthly remuneration (PLN 1.300), decrease by at least 50% – financial support in the amount of 70% of the minimum monthly remuneration (PLN 1.820), decrease by at least 80% – financial support in the amount of 90% of the minimum monthly remuneration (PLN 2.340). The co-financing may be granted for no more than 3 months from the month of application. It is important here that the entrepreneur is obliged to run business operations for the period for which they have been granted the support and that the entrepreneur cannot receive co-financing for the part of business operation costs or financed from other public funds.

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The persons running a non-agricultural business and persons employed based on civil law contracts may benefit from support in the form of idle time allowance. They will be entitled to this benefit if, as a result of COVID-19, there occurs downtime in conducting business activity – by a person running a non-agricultural business or by the contractor or the ordering party with whom a civil law contract has been concluded, respectively. This benefit may be granted no more than three times of PLN 2.080. A person running a non-agricultural business activity is entitled to the idle time allowance if they started non-agricultural business activity before April 1, 2020, and:

1. Have not suspended its operation if the income from the non-agricultural business activity in the month preceding the month of applying for the idle time allowance was for at least 15% lower than the income earned in the month preceding this month.
2. Suspended non-agricultural business activity after January 31, 2020.
3. Is not subject to social insurance on other grounds.

A person working based on a civil law contract is entitled to the idle time allowance if 1) the civil law contract was concluded before April 1, 2020, 2) the revenue from the civil law contract obtained in the month preceding the month in which the application for the idle time allowance was submitted was not higher than 300% of the average monthly salary from the previous quarter (i.e., currently approximately PLN 15.600), 3) is not subject to social insurance on other grounds. The idle time allowance will not be subject to deductions for insurance contributions or tax to be the net amount paid into a bank account.

Entrepreneurs who will record a decline in economic turnover as a result of COVID-19 are entitled to introduce an economic downtime or to reduce the working hours of their employees. Consequently, they are allowed to apply for the support from the Guaranteed Employee Benefits Fund (Pol. FGSP - Fundusz Gwarantowanych Świadczeń Pracowniczych) for the remuneration of these people and funds for the payment of social security contributions, which are due from the employer.

The employer may reduce the remuneration by no more than 50% (to the amount no lower than PLN 2.600), taking into account the working time, and may receive co-financing of up to 50% of the minimum wage (PLN 1.300), taking into account the working time and social security contributions borne by the employer. On the other hand, limiting the working time of employees means that the employer may reduce the working time by a maximum of 20% (no more than 0.5 FTE) and pay a proportionally reduced remuneration (no

less than PLN 2.600), taking into account the working time, and, that the employer may receive financial support in the amount of up to 50% of remuneration (no more than 40% of the average remuneration for the previous quarter announced by the Central Statistical Office (GUS)), taking into account working time and social security contributions borne by the employer.

The economic idle time or reduced working hours may cover both employees, i.e., persons employed based on an employment relationship, persons employed for home-based work, as well as persons employed based on a mandate contract or some other contract for the provision of services, to which, in accordance with the Civil Code the provisions pertaining to commission apply, or those who perform paid work on the basis other than employment relationship for an employer which is an agricultural production cooperative or another cooperative which is engaged in agricultural production, if on this account they are subject to retirement and social pension insurance, with the exception of domestic help employed by a natural person.

The conditions and mode of work during the period of economic idle time and reduced working time need to be agreed with the community representation. The support is granted for a period of 3 months from the month of application. An employer who has received a grant from FGŚP may not – when receiving support – terminate the employment contract (for reasons not related to the employee) with the employees for whom they are receiving financial support. The support mustn't be granted for the remuneration of employees whose remuneration obtained in the month preceding the month in which they applied for such aid was higher than 300% of the average monthly remuneration for the previous quarter, announced by the President of the Central Statistical Office (GUS) based on the provisions on pensions and disability pensions from the Social Insurance Fund (Pol. FUS - Fundusz Ubezpieczeń Społecznych) applicable on the day of applying, i.e., currently almost PLN 16.000.

Small employers and social cooperatives may – upon their request – be relieved of their obligation to pay contributions to ZUS (Zakład Ubezpieczeń Społecznych – Social Insurance Institution). This solution is a general one, which means that a decrease in turnover or the number of orders does not need to be demonstrated to use it. The exemption will also be available to clergy and, after meeting certain criteria, to persons engaged in non-agricultural activities paying contributions solely for their own insurance. Employers (contribution payers) may be relieved of the obligation to pay the unpaid dues for social security contributions, health insurance, the Labour Fund, the Guaranteed Employee Benefits Fund, the Solidarity Fund, or the Bridge

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Pension Fund due for the period from March 1, 2020, to May 31, 2020 r., indicated in social insurance statement submitted for this period, if they were reported as payers of contributions: 1) before February 1, 2020, and as at February 29, 2020, 2) during the period from February 1, 2020, to February 29, 2020, and as of March 31, 2020, 3) during the period from March 1, 2020, to March 31, 2020, and as of April 30, 2020 – they registered fewer than 10 insured persons for the social insurance. If the employer registered 10 to 49 insured persons for social insurance during the above-mentioned periods, the employer may reduce the above-mentioned contributions by 50%.

A non-governmental organization and some other entity running charity activities, which has a decrease in revenues from statutory activities (of at least 30%), may receive co-financing for employees' salaries and the social security contributions due to these salaries. The amount of co-financing depends on the decrease in turnover. The support is granted for up to 3 months.

For the duration of the pandemic, the co-financing for the remuneration of disabled people was also increased. The monthly co-financing for the remuneration of a disabled employee, received by employers employing disabled persons, reflected in the records kept by the State Fund for the Rehabilitation of Disabled Persons (Pol. Państwowy Fundusz Rehabilitacji Osób Niepełnosprawnych), is higher as of March 31, 2020, and was increased from PLN 1.800 to PLN 1.950 in the case of persons with a significant degree of disability, while in the case of disabled persons qualified with intermediate disability from PLN 1.125 to PLN 1.200. On the other hand, an employer is a vocational development center may apply for a compensation of the remuneration paid to disabled employees, in proportion to idle time in a given month or decrease of income from the activity.

A microentrepreneur who conducted their business activity before April 1, 2020, may receive a loan to cover their business's current operating costs. The loan is granted for up to PLN 5,000, for a period of up to 12 months, with a grace period for repaying the principal with interest for a period of 3 months from the date of granting the loan. The interest rate on loan is fixed and amounts to 0.05 of the bill rediscount-rate adopted by the National Bank of Poland. At the microentrepreneur's request, the loan with interest undergoes cancellation, provided that the microentrepreneur conducted a business activity for a period of 3 months from the date of granting the loan.

Among the solutions of the Anti-Crisis Shield, those related to making employment - mainly working time - more flexible is also important. In this case, employers, regardless of the number of staff they employ, meeting certain

criteria (a decrease in turnover as a result of COVID-19, no arrears in paying public and legal obligations on the terms indicated below), may:

1. Limit the minimum period of the employee's uninterrupted rest – from 11 to 8 hours daily and 35 to 32 hours weekly.
2. Introduce a system of equivalent working time. It is possible to extend the daily working time, but to no longer than 12 hours (without the need to meet additional criteria related to the type of work or organization) in a settlement period not exceeding 12 months.
3. Apply less favorable terms of staff employment than those resulting from employment contracts to the extent and for a period agreed upon in consultation with trade unions or employees' representatives appointed in accordance with procedures adopted by a given employer.

If they obtain the consent of the employees' representatives, the employer will be allowed, for example, to temporarily resign from the payment of certain benefits to employees or limit their amount, including base salaries. What is more, to make employment more flexible during the state of epidemic threat or the state of epidemic announced due to COVID-19, an employer may grant an employee the annual leave unused by them in previous years, lasting up to 30 days, at the time and for the period chosen at their discretion, without consideration for the company's annual leave schedule and without obtaining the employee's consent, with the said employee being obliged to use such leave.

Another provision of the Anti-Crisis Shield is the exemption of underage workers from the obligation to perform work – without losing remuneration reimbursement. During the period of temporary limitation or suspension of schools' functioning, the employer is obliged to exempt an underage employee (undergoing vocational training) from performing work. An employer with whom an agreement was concluded for the reimbursement of the remuneration paid to underage employees retains the right to receive reimbursement if they pay remuneration to those employees – in whole or in part - for the period of exemption from the obligation to perform work.

Parents may take advantage of an additional childcare allowance for a longer period of time. In the event of the closure of a nursery, children's club, kindergarten, school, or another facility attended by the child, or the inability to ensure care provision by a babysitter or day caregiver due to COVID-19, this allowance is the entitlement of an insured person exempted from performing work or to an officer released from service due to the necessity to personally care for a child up to 8 years of age, a child with a certificate of a

significant or moderate degree of disability up to the age of 18, or a child with a certificate of disability or a certificate asserting the need of special education. Furthermore, if the operation of a facility attended by an adult disabled person, such as a school, rehabilitation, and education center, support center, occupational therapy workshop, or another daycare facility of a similar nature is suspended due to COVID-19, an insured person who is exempt from performing work or an officer dismissed from service on account of having to care for an adult disabled person personally is entitled to an additional care allowance until June 28, 2020.

Due to the pandemic, the amounts free from deductions specified in Art. 87 (1) § 1 of the Polish Labour Code are increased by 25% for each non-earning family member whom this employee support. This increase is applied if the employee's remuneration has been reduced or the employee's family member has lost their source of income due to the measures undertaken on the Republic of Poland's territory to prevent the spread of the SARS-CoV-2 virus.

### **3.2 Provisions Improving Financial Liquidity**

As part of the Anti-Crisis Shield, a set of provisions aiming to improve businesses' financial liquidity in the pandemic era have also been introduced. For example, if the taxpayer has suffered negative economic consequences due to COVID-19, they may benefit from the postponement of the deadline for the transfer of advances collected in March and April 2020 for tax on income from broadly understood work, i.e., from a service relationship, employment relationship, home-based work, cooperative employment relationship, social security benefits paid by payers, services provided under a contract of mandate or a specific task contract, copyright or other related rights. The deadline for the payment of these advances was extended to June 1, 2020.

To improve the forms' functioning, the deadline for submitting the tax declaration for the amount of income earned (or loss incurred) for 2019 and payment of the due personal income tax was postponed from April to May 31. Submitting the tax declaration within this period allows for transferring 1% of the tax to a selected charity. Another solution facilitating an economic entity functioning is the abolition of taxation on idle time benefits and other selected assistance benefits. As part of this solution, the following are not taxable:

1. Idle time benefit paid to a person conducting a non-agricultural business or working under a civil law contract, which was received or made available to the taxpayer in 2020,
2. Benefits consisting in accommodation and catering necessary for an employee to perform their responsibilities,

3. Benefits received by an insured farmer and a member of the household if they were subject to compulsory quarantine, epidemiological supervision or hospitalization due to COVID-19.

What is more, to maintain financial liquidity, an entrepreneur may obtain a one-off reduction of the income (revenue) obtained in 2019 by the tax loss from 2020. However, this amount cannot exceed PLN 5,000,000. The condition is the total decrease in revenues in 2020 by at least 50% compared to those in 2019.

The solution allowing for deductions of donations made between January 1, 2020 and September 30, 2020 from income (revenue) (even up to 200% of the value), including donations of objects such as laptops or tablets also seems to be justified.

The crisis caused by the COVID-19 pandemic has also forced new limits on subject-related exemptions in the Personal Income Tax in 2020; these include allowances received in the case of individual random events, long-term illness or death, financed from sources other than the social fund, which do not exceed PLN 10,000. The exemptions also apply to the tax on revenues from built-up premises, in this case buildings, for the period from March 1, 2020 to December 31, 2020. Furthermore, the deadline for the collection of the tax on retail sales was postponed to January 1, 2021. The sale and conversion of virtual currencies is also exempt from the tax on civil law transactions within the meaning of Art. 2 para. 2 point 26 of the Act of March 1, 2018 "o przeciwdziałaniu praniu pieniędzy oraz finansowaniu terroryzmu" (on counteracting money laundering and financing of terrorism).

The acquisition of goods or property rights by way of a donation made between January 1 to September 30, 2020 by natural persons performing medical activities in order to prevent COVID-19 and entered into the list referred to in Art. 7 and by natural persons running shelters for mothers with underage children and pregnant women, night shelters, shelters for the homeless, including those with care services, support centres, family nursing homes and social welfare homes for purposes related to running these facilities is exempt from inheritance and donation tax. The exemption also applies to in-kind donations of objects such as portable computers being laptops or tablets, made between January 1 and September 30, 2020 by natural persons operating educational institutions, for purposes related to these institutions' operation.

Further facilities aiming to improve the company's financial liquidity include:

1. Lack of the necessity to show overdue liabilities when calculating the advances for income tax payments in 2020. The condition is a decrease of revenues generated in the accounting periods by at least 50% compared to the corresponding periods in 2019.
2. Possibility to resign from the simplified form of paying the advance income tax payments for the months from March to December 2020 by the so-called

- "small taxpayers". The resignation from the simplified form of paying the advances for income tax should be notified in the tax return for 2020.
3. Postponing the deadline for submitting a new JPK\_VAT file and applying a new VAT rate matrix. New tax declarations should be submitted starting from July 1, 2020. New VAT rate matrices were to be applied as of July 1, 2020.
  4. Longer deadlines for reporting tax schemes. The deadlines for the tax scheme are not in effect, and those already commenced are suspended during the period from March 31, 2020 to the 30th day following the cancellation date of the state of epidemiological threat and the state of epidemic announced in connection with COVID-19. However, in the case of a cross-border tax scheme, the deadlines for the tax scheme are not in effect, and those already commenced are suspended during the period from March 31, 2020, but no longer than until June 30, 2020.

During the period of the state of epidemiological threat/state of epidemic in connection with COVID-19, a 14-day deadline for submitting a payment notification to an account not included in the so-called White List of VAT taxpayers, shall be applied.

Also, a new deadline for submitting transfer pricing information (TP-R) has been established. The deadline for submitting transfer pricing information by affiliated entities has been extended to December 31, 2020 – if the deadline expires between March 31 and September 30, 2020, or • by 3 months – if the deadline expires between October 1, 2020, and January 31, 2021. Under the same rules, the deadline for submitting a statement on the preparation of local transfer pricing documentation by affiliated entities to tax offices shall also be extended. The deadline for appending group transfer pricing documentation to the local transfer pricing documentation by affiliated entities, consolidated using the full or proportional method obliged to prepare local transfer pricing documentation, shall also be extended. If the deadline for the submission of the declaration on the preparation of the local transfer pricing documentation is extended, the deadline for appending the group transfer pricing documentation to this local transfer pricing documentation shall be extended to the end of the third month from the day following the day on which the deadline for submission of this statement expired.

Entrepreneurs should also remember that the annual fee for 2020 for perpetual usufruct may be paid until January 31, 2021. The extension fee for arranging the payment in instalments or deferral payment of social security contributions or taxes shall not be payable. The condition is the submission of a request for a deferral or arranging the payment in instalments during the state of the epidemiological threat/state of the epidemic or within 30 days following their cancellation.



#### **4. The Impact of the Coronavirus pandemic on the Economic Situation**

The preliminary estimate of GDP for Q1 of 2020, taking into account the first effects of COVID-19 occurrence and the introduction of government measures to counteract the effects of the epidemic, indicates that seasonally adjusted GDP (in constant prices for the reference year 2010) decreased by 0.4% in real terms compared to the previous quarter and was 1.7% higher than the year before. The seasonally unadjusted GDP (in constant average annual prices of the previous year) increased in real terms by 2.0% compared to Q1 of the previous year, which means an improvement in real dynamics by 0.1 percentage point compared to the flash estimate published on May 15, 2020. However, in Q2 of 2020, according to the flash estimate, the seasonally unadjusted Gross Domestic Product (GDP) decreased in real terms by 8.2% year-on-year, compared to an increase by 4.6% in the corresponding period of 2019.

The data on Poland's economic indicators indicates a year-on-year increase in industrial production (in June 2020). Moreover, the forecasts show the decrease in GDP in 2020 to be much lower than expected, which will reach the level of -4.6% according to the forecasts. This data proves that Poland stands a chance of weathering the COVID-19 crisis with little harm done. This is also confirmed by the results of a survey conducted by Polski Fundusz Rozwoju (Polish Development Fund) and Polski Instytut Ekonomiczny (Polish Economic Institute), according to which 60% of Polish companies have financial reserves for over 3 months.

In July 2020 (year-on-year basis), the industrial enterprises sold production increased by 1.1%, and on a month-on-month basis, it increased by 3.4%. An increase in sold production was recorded in 20 out of 34 industrial sectors, among others in the production of furniture - by 24.2%, computers, electronic and optical products - by 15.3%, wood, cork, straw and wicker products - by 14.8%, electrical appliances - by 7.1%, rubber and plastic products - by 4.5%, chemicals, and chemical products - by 4.1%. A decrease in the sold production of the industry, compared to July last year, occurred in 14 sectors, among others, in hard coal and lignite mining - by 18.4%, in the production of coke and refined petroleum products - by 15.0%, machinery, and equipment - by 13.3%, metals - by 9.7%, products from other non-metallic mineral resources - by 2.8%, metal products - by 2%.

In August 2020, the general economic situation indicator is better than in July in all the presented areas of the economy. Still, it is positive only in the information and communication sectors and in financial and insurance operations. Improvement in the current assessments ("diagnosis") is observed, while negative expectations ("forecasts") persist or deteriorate in the majority of the cases.

Unfavorable assessments of the economic situation in August 2020 (although usually better than in July this year) persist among enterprises in most analyzed sections. The opinions of entities operating in accommodation and catering sectors remain the most negative (with the general economic climate index improving from minus 23 in July

this year to minus 19). Among the production and trade areas, the lowest pessimism is contained in the indications for industrial processing entities, among which the greatest improvement in the overall economic situation was observed.

The solutions introduced by law to prevent and counteract the spread of the infectious disease caused by the COVID-19 virus and combat the disease caused by it also applied to the labor market. The possibility of performing work outside the place of its permanent performance, i.e., remote work, was amongst them. The fact that the reduction in the number of employed persons was similar in its scale to the corresponding increase in the economically inactive population was a characteristic feature of this period. At the same time, the changes were noticeable to a lesser extent in the unemployed group. The specific period and limitations related to movement, the need to maintain social distance, and difficulties in the operation of many businesses and sectors of the economy also influenced the changes observed within individual communities (including, among others, increased staff absence, more frequent remote work).

The results of the Labour Force Survey (LFS), presenting the average data for the quarter, indicate that in Q2 of 2020, professionally active people accounted for 55.5% of the population aged 15 and above. This indicator has decreased both in comparison to Q1 of 2020 and Q2 of 2019 (0.5 pp and 0.7 pp, respectively).

Average employment in the enterprise sector in July this year was shaped at the level of 6.252 and was 2.3% lower than the year before (against a 3.3% drop in June this year). In most sections, the decline in employment continued compared to the previous year, but its scale was generally lower than in the previous months. The deepest declines were still observed in administration and support activities (by 7.8%) as well as in accommodation and catering (by 6.6%). The average employment decreased among the largest sections, although to a lesser extent than in previous months, in industrial processing (by 3.5%) and trade; motor vehicle repair (by 2.2%). Annual employment growth continued and was generally higher than in June this year in information and communication sectors (where it reached 2.5%), water supply; wastewater management; recultivation (2.0%), professional, scientific and technical activities (1.7%) as well as in transport and warehousing operations (0.6%).

At the end of July of the current year, there were 1,029,500 unemployed persons registered in employment agencies, i.e., more than in June of the current year (3,000 more, i.e., 0.3%) and more than in July last year (161,100 more, i.e., 18.6%). The registered unemployment rate amounted to 6.1%, i.e., it remained at the level from the month before and increased by 0.9 percentage points over the year.

The impact of the COVID-19 pandemic was also visible in the data related to the place of work. In the second quarter of 2020, the number of persons usually working from home was 2,124,000 (which accounted for 13.1% of all employed persons) and

doubled in comparison with the first quarter of 2020 (an increase of 1,077,000 persons) and the same period of the previous year (an increase of 1,262,000 persons). In this group from Q2 of 2020, 1,539,000 Persons (i.e., 72.5%) worked from home due to the situation related to the COVID-19 pandemic (of whom 1,493,000 persons performed their professional duties in the form of remote work).

## **5. Conclusion**

The global economy is now experiencing the deepest recession since the Great Depression in the 1930s, with GDP declines of more than 20% and a surge in unemployment in many countries. Even in countries where containment measures have been relatively light, early data is already making clear that the pandemic's economic and social costs will be large. Growth prospects depend on many factors, including how COVID-19 evolves, the duration of any shutdowns, the impact on activity, and the implementation of fiscal and monetary policy support.

Uncertainty will likely prevail for an extended period. Many entrepreneurs expect that the negative effects of the COVID-19 pandemic will still be noticeable. The immediate effect of fighting the pandemic will be an unprecedented decline in international economic exchange. Due to a periodic closure of borders, shopping centers, hotels, restaurants, and cultural facilities, private consumption will also decline. Some economic sectors, such as entertainment, restaurant, and above all, tourist and transport ones, need to prepare for a noticeable slowdown. To reduce the negative effects of this crisis, some entities have taken advantage of the forms of support offered as part of state interventionism.

In Poland, this aid was implemented under the so-called "Anti-crisis shield" (loans or subsidies, exemptions, and deferrals of the payment of taxes, social security contributions, and remuneration subsidies). According to the survey conducted by the Central Statistical Office (GUS), its receipt was most often declared by accommodation and catering companies (86% of these units) and the ones running professional, scientific, and technical activities (77%). Many entities express their concerns about the company's future if the current COVID-19 restrictions are maintained. The worst mood in August 2020 (although better than a month ago) persists in accommodation and catering units, of which only 26% see the possibility of surviving in such a situation for more than 6 months, and 53% assume that it will not last more than 3 months. The best mood remains in the finance and insurance industry, where over 97% of entities estimate that they may survive for more than 6 months with the applicable restrictions.

It is also worth noting that the COVID-19 pandemic crisis may cause changes in the architecture of international economic relations. What is a threat to some countries may become an opportunity for others to occupy a more convenient position in the global economic structure? The intensification of remote trade, which is taking on more advanced forms, making frequent advantage of new technologies is a trend

which is making itself felt nowadays. The other noticeable changes are related to the working pattern, which consists of the growing importance of remote work. It seems that these may be the changes that will permanently enter the handbooks of corporate management and work processes.

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