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Tax Instalment Plans: A Legal Instrument of Financial Sustainability in a Crisis

Abstract: The Covid-19 pandemic as well as the war in Ukraine represent the biggest hit to the Czech economy since the Great Recession. In the Czech Republic, several tax measures are being used to help economic entities overcome the current crisis and keep their businesses running. One of them is the tax instalment plan. This article aims to identify why the tax instalment plan could be an appropriate fiscal measure in times of economic crisis. The author presents a classical legal instrument in the tax area – the tax instalment plan – and analyses it from an innovative point of view rather than the usual perspective, that is, from the macroeconomic point of view. The article analyses the legal conditions for the use of this instrument in the Czech Republic, points out the difficulties of interpretation in practice and evaluates it in the context of the theoretical background of desirable fiscal crisis measures. The conclusions of the research confirm the hypothesis that this legal instrument is an effective and used tool for facilitating the sustainability of private and public finances in times of crisis. It combines the desirable aspects of both automatic stabilisers and discretionary measures.

Keywords: discretionary interventions, economic crisis, fiscal instruments, instalment plans

Introduction

The Covid-19 pandemic as well as the war in Ukraine are a significant burden on the economies of European countries. States and all economic actors are coping with high inflation, rising prices for essential commodities and a generally uncertain economic outlook. The Czech economy is no exception. Significant fiscal injections during the pandemic and steadily rising expenditure have meant that the sustainability of the state budget, which has faced unprecedented deficits in recent years, is be-

ginning to be threatened. Although one of the main tasks of the authorities after the pandemic was to balance budgets and ensure the servicing of the accumulated debt (Tyniewicki & Kozieł, 2021, p. 69), this has not been successful in the Czech Republic.¹

Thinking about financial sustainability is more important now than ever. Since taxes make up most of the revenue of public budgets, tax collection is a key item on which the state must focus. However, all taxpayers are facing the impact of the economic crisis, and the payment of tax obligations is becoming increasingly difficult for many of them in the context of rising costs. Czech politicians are therefore more and more frequently using expansionary fiscal measures in times of crisis through newly implemented tax-relief measures such as tax-rate reductions or tax waivers or abolitions. They aim to relieve taxpayers and stimulate the economy. However, each additional step represents a significant hit to public budgets. Should these measures, especially now, not follow the principle of financial sustainability? The estimate of the most costly tax change adopted during the Covid-19 pandemic is at least CZK 88 billion (Czech Fiscal Council, 2020), with some studies putting it as high as CZK 116 billion (Kališková & Šoltés, 2022, p. 4).² Furthermore, it is precisely these discretionary tax interventions in times of crisis that can be easily abused for populist interventions that are not related to the specific crisis and the elimination of its negative effects (Radvan & Svobodová, 2021, p. 79). The fall in public revenue then seems even less justifiable. Moreover, the implementation of new tax relief in times of recession has yet another pitfall: the necessity of its abolition in times of economic growth, which is very difficult politically. For this reason, economists are inclined to the option that in a crisis, the main fiscal measures that should be used are those that can be implemented based on existing mechanisms (Furman, 2020, p. 195).

This condition is fulfilled by the tax instalment plan, which is a traditional part of Czech tax legislation. This article aims to demonstrate that in an economic crisis, even 'old' instruments can serve as relief measures, and there is no need to constantly introduce new ones. Therefore, I will present a classical legal instrument in the tax area, the tax instalment plan, and will analyse it from an innovative point of view rather than the usual perspective, that is, from the macroeconomic perspective. I start from the hypothesis that the tax instalment plan is an effective and used instrument which pursues the vision of the sustainability of private and public finances and is a suitable instrument to deal with the impact of the economic crisis on taxpayers.

1 The state budget ended up with a deficit of CZK 367.4 billion at the end of 2020, a deficit of CZK 419.7 billion in 2021 and a deficit of CZK 360.4 billion in 2022 (Supreme Audit Office of the Czech Republic 2023).

2 The change was the abolishment of the super-gross wage, which was a special construct of the tax base; employees had to calculate their tax from the so-called super-gross wage, which is gross wage increased by social security premiums paid by the employer (Radvan, 2018, p. 23).

The basic research question is therefore defined as: Does the tax instalment plan represent an economically desirable fiscal instrument that follows the vision of financial sustainability?

To fulfil this aim, I analyse the legal regulation of the tax instalment plan in the Czech Republic, both in substantive and in procedural law. The analysis of the legislation will be used to identify the economically desirable aspects that arise from the instalment process. Subsequently, I will evaluate these findings concerning appropriate fiscal crisis measures in the context of economic premises. To test the flexibility of this instrument in times of crisis, I will focus on the ongoing economic crisis caused by the Covid-19 pandemic. The real use of this instrument in times of crisis will be determined from data concerning applications submitted to the tax office in Brno. The data are obtained from my own source, the Tax Office for the South Moravian Region, Territorial Branch for Brno I.

1. Legislative framework

1.1. The effects of a tax instalment plan: Is it beneficial for the state and for taxpayers?

The tax instalment plan has a permanent place in Czech tax law. The previous tax administration regulations already contained this instrument, and the current ones (the Tax Code 2011) are based on the same foundations. It is therefore a traditional tool available to taxpayers that allows them to defer tax payments legitimately. Many countries have a similar instrument.³ Its purpose is to relieve the taxpayer of his/her tax obligations by providing an extended payment period or by spreading the tax payment into instalments.⁴ It is a benefit from the state, which, if the legal conditions are met, is intended to enable the taxpayer to overcome an exceptional situation that suddenly prevents him/her from paying his/her tax obligations. The essence is that the possibility of instalments relieves the taxpayer in the short term. Still, there is no outflow of public budget revenue over time because the tax payment will take place only later.

The temporary inability of the state to handle funds that should have been paid but were not is normally compensated by interest on late payments. Interest is not incurred in the case of the tax instalment plan. However, even this option is not completely 'free' for taxpayers. Taxpayers are obliged to pay interest on the amount repaid, which is half of the standard default interest. This solution to arrears is fiscally motivating for taxpayers; it is also a fair economic compensation for public revenue.

3 For example, in Slovakia a similar instrument is regulated in the Tax Administration Act 2009, or in Poland the conditions for repayment are set out in the Tax Ordinance Act 1997.

4 For simplicity, these two options will be collectively termed the 'tax instalment plan' in this article.

Another advantageous legal consequence of an instalment plan is the impossibility of execution for those tax obligations for which an instalment plan has been granted. Despite this, taxpayers often believe that by simply filing an application, they can avoid execution. However, this is not how the legal framework is constructed; execution is only prohibited in a situation where a tax instalment plan is allowed.

In most cases, the tax instalment plan is initiated based on a dispositive act by the taxpayer, in other words, an application. It should be added that the tax administrator is entitled to initiate proceedings and authorise an instalment plan *ex officio*, but such cases are rare in practice. The tax administrator decides whether a tax instalment plan is allowed or not and must duly justify his/her decision. This decision can be appealed, which is a change from the previous legislation. Following the principle of speed, the tax administrator will process the application within 30 days. It should be added, however, that failure to comply with this time limit does not affect the lawfulness of the decision. Similarly, failure to comply with this time limit does not give rise to a legal fiction that the application has been granted (Judgment of the Supreme Administrative Court of the Czech Republic 2021).

If a tax instalment plan is allowed, the decision determines the period for which payment of the tax is deferred. The maximum period is six years, as this corresponds to the period for payment of the tax, which may not be exceeded. The tax authority shall determine whether the tax is to be paid in instalments or whether the payment of the entire tax is to be deferred. Although the principle of disposition governs the procedure and is primarily based on the application of the taxpayer, the tax administrator is entitled to modify the proposed instalment plan so that the amounts of the instalments corresponds to the circumstances of the case. In particular, the tax administrator is obliged to take into account the time limit for payment of the tax and the fiscal interests of the state (Judgment of the Supreme Administrative Court of the Czech Republic 2011).

If conditions of payment are breached, the decision about the tax instalment plan ceases to have effect, with *ex nunc* effects. This is a very favourable change for taxpayers, given the interest at half the usual rate, compared to the previous legislation, which was set with *ex tunc* effects (Kobík & Kohoutková, 2013, p. 667). However, the current setting can be considered as more of a logical consequence that naturally results from non-compliance with the conditions related to the granting of the advantage rather than a negative consequence of an a priori punitive nature. The law does not link any other consequences to non-compliance with the tax instalment plan. The taxpayer may reapply at any time, even with the same arrears. The motivation to comply with the tax instalment plan can thereby be considered as considerably degraded. In addition, it places an unnecessary burden on the tax administrator, who has to issue an arguably difficult decision, despite the taxpayer abusing the benefits of the law. In Slovakia, for example, from 2020, failure to comply with the instalment plan or deferment of payment means that taxpayers will not be able to make use of this in-

strument for the following two years, starting from the date on which the tax should have been paid based on the last decision, not from the date of the violation of the conditions (Act on Tax Administration 2009). Although this concept is strict, it fully reflects the exceptional nature of the measure and forces taxpayers to comply with the conditions. At the same time, it ensures that taxpayers use the application only when they are sure that they will be able to make the payments.

Instalments or deferred payments do not affect the tax due; it remains unchanged. However, it is also possible to allow an instalment plan retroactively from the due date, an option that is highly advantageous for taxpayers considering an interest at half the usual rate. Since the legislation is silent on the limits of this option, it is necessary to rely on case law, which states that the tax administrator will only allow tax instalment plans on the grounds of exceptional circumstances. These are situations where justifiable and defensible reasons for the default exist before the application for a tax instalment plan (Judgment of the Supreme Administrative Court of the Czech Republic 2017). This possibility must be considered in the context of its fiscal impact – a reduction in public revenue – since, in effect, half of the interest on late payments will be waived retroactively. This concept was included in the law because the new procedural rules of tax administration did not allow for an interest waiver. But since 2015 the interest waiver has been a standard legal measure available to taxpayers, and therefore the retroactive authorisation of a tax instalment plan seems redundant. It could even be argued that this alternative to a waiver is not transparent, since a proper waiver is subject to certain conditions that are not reflected in the administrative consideration of the tax instalment plan.⁵

1.2. The accessibility of the tax instalment plan

The possibility of applying for a tax instalment plan is available to all taxpayers without any time or other limitation (for example on the number of applications). Universal accessibility is one of the aspects for which this tax measure is only a general instrument and not a state aid. The European Commission (1998) has stated in general terms on tax relief that tax measures available to all economic entities operating in a Member State are, in principle, general measures. They must be effectively available to all taxpayers based on equal treatment, and their scope must be unrestricted by, for example, the discretionary power of the state to grant them or other factors limiting their practical effect. It is therefore necessary that a level playing field be ensured, not only in the ability to request this relief but also in the ability to obtain it. Nevertheless, this does not mean that all discretionary practices of the tax authorities are prohibited. Although the European Court of Justice acknowledges that discretionary practices may mean that the individual application of a general measure

5 One of the legal conditions is that the waiver of accessories is possible only if the taxpayer has not breached tax administration obligations in the last three years.

takes on the characteristics of a selective measure, it adds that the presumption of state aid is not based solely on the interpretation of the general rules. If, in that interpretation, the tax administration respects the law, administrative practice and the relevant case law, instalments are a perfectly acceptable form of relief for taxpayers, since it is the implementation of a non-specific, non-selective, objective, transparent and general measure.

Only those tax obligations that are due and unpaid may be subject to an instalment plan (Judgment of the Supreme Administrative Court of the Czech Republic 2013). A tax instalment plan is not limited to 'taxes' in the narrow sense of the word but is generally possible for taxes in the broader sense, including advances or accessories to taxes, which include penalties or fines in particular. Such a broad interpretation is not chosen in administrative practice about the type of taxes that may be subject to an instalment plan. It is impossible to pay personal income tax on employees or tax deducted at source in instalments. It is not possible to pay personal income tax paid by the employer on behalf of the employee or withholding tax in instalments. The Constitutional Court stated that withholding tax cannot, by its nature, be subject to an instalment plan (Judgment of the Constitutional Court of the Czech Republic 2012).

The only direct limitation on instalment plans is the duty to pay an administration fee. Without payment of the fee, the application will not be processed and the application procedure will be terminated. The fee is CZK 400 (less than EUR 20) for each application relating to each tax. It means that even if the application is made in one submission, giving the same reasons but with a request for the repayment of different taxes, it will be charged more than once. However, the amount of the administrative fee is fixed, whether the subject of the application is tax obligations amounting to millions or tens of thousands. The tax administrator must treat all taxpayers equally and independently of the amount of their tax obligations.⁶ It is clear, however, that the tax instalment plan for higher tax obligations imposes higher demands on the tax administrator's administrative discretion and, at the same time, higher responsibility regarding potential negative fiscal consequences. The assessment of an application for a higher tax obligation is, therefore, more expensive, without this being reflected in the amount of the fee. The low fee brings an additional problem – overuse of the institution. Due to the negligible fee, many taxpayers will only 'try' to see if their application is successful, without paying attention to the quality of the application. Even so, the tax authorities still have to process it, which places an additional administrative burden on them. It can be assumed that if the input cost of such an application were higher, there would be a proportion of taxpayers who would not

6 Although, for example, in civil actions, the tax rate is often set as a percentage of the amount claimed.

find it worthwhile applying. Instead, they would make more effort to be successful with the application.

1.3. Statutory reasons for allowing an instalment plan

Czech legislation (Tax Code 2011) provides five exhaustively defined reasons for which an instalment plan may be allowed. The legislature has defined the criteria in such a way as to cover the broadest possible range of situations. These are general reasons of an economic and social character, reflecting the exceptional situation of the taxpayer. Proving that at least one of them is fulfilled is a prerequisite for the application to be granted. An instalment plan may be allowed if:

- immediate payment of tax would cause serious harm to the taxpayer,
- the maintenance of the taxable person or his/her dependants would be jeopardised (applies only to natural persons),
- immediate payment of tax would mean that the taxable person's business would cease (and the proceeds from the closure of the business would be less than the tax in the next tax year),
- it is not possible to collect the tax from the taxpayer at once (not only referring to the amount of funds currently available but to the overall financial situation),
- there is a reasonable expectation of partial or total extinction of the tax obligation.

The vagueness of the legal terms (such as 'serious harm') means that the range of situations in which a taxpayer's application can be granted is wide. It makes it possible to reflect on different situations that arise for taxpayers or within the economy. The reasons for allowing an instalment plan are not primarily related to external factors but to specific circumstances affecting the taxpayer's sphere of influence. It does not preclude external factors (such as the Covid-19 pandemic and related restrictions or the current increase in the price of, for example, fuel) from being the reason for the taxpayer's inability to pay the tax. However, the taxpayer must always prove the specific effects on his/her sphere in the context of the fulfilment of one of the statutory reasons. This concept implies that the tax instalment plan should only be allowed in cases where the taxpayer is actually in an exceptional situation. It is therefore an instrument that can only be used in individually justified cases and is set up to be used only by the taxpayers affected.

A similar concept is adopted, for example, in Poland, where it is possible to spread the tax in instalments on the grounds of an important interest of the taxpayer or the public interest. The tax legislation does not contain a precise definition of these terms, therefore the related case law (for example the Judgment of the Supreme Administrative Court of the Republic of Poland 1999) has to be reflected. As in the

Czech Republic (as set out below), in Poland it is up to the taxpayer to comprehensively justify the request and provide relevant evidence.

1.4. The burden of proof on the taxpayer

The taxpayer's application for a tax instalment plan is usually the key element of the whole procedure. It must contain a qualified statement of the reasons for allowing the instalment plan, a proposal for an instalment plan (or a deferral of payment of the entire tax) and be supported by appropriate evidence to prove the taxpayer's claims. As the principle of disposition governs the whole procedure, it is up to the taxpayer to decide what to claim in the application. In deciding on the application, the tax administrator is bound by the taxpayer's proposal. The taxpayer is therefore obliged to assert the relevant reasons in his/her application and to provide evidence in support of his/her assertions. The taxpayer carries the risk that, if s/he does not voluntarily and on his/her own initiative substantiate the allegations contained in his/her application to the tax administrator, the tax administrator will be obliged to reject the application (Judgment of the Supreme Administrative Court of the Czech Republic 2015). It is up to the taxpayer to provide such evidence to show that s/he has fulfilled one of the conditions for allowing an instalment plan. The unequivocal proof fulfilling one of the grounds for an instalment plan is intended to ensure that certain taxpayers are not unduly favoured.

The idea behind this concept is simple. Since the taxpayer is asking for a benefit to the detriment of the state budget, it can reasonably be expected that s/he will not only allege the relevant facts but also propose evidence to prove them. The tax administration is not obliged, and above all not entitled, to determine what evidence the taxpayer is to produce. Taxpayers have information available on the website of the Financial Administration of the Czech Republic, where the reasons for repayment are described. At the same time, it lists possible means of evidence that can be submitted to prove that the statutory reasons are met. The tax administrator has no legal right to ask the taxpayer to provide evidence; the only possible means for the tax administrator is informal communication. But they are not obliged to take such a step, and therefore its absence cannot render their decision on the application unlawful. Following the principle of cooperation and collaboration, the tax administrator has opted for informal communication with taxpayers, especially during the Covid-19 pandemic. They sent information leaflets and, beyond the scope of their obligations, instructed the taxpayer to prove his/her allegations.

Even when the taxpayer fails to provide sufficient supporting evidence for an application for an instalment plan, it is possible to conduct the proceeding and to consider the application on its merits. The absence of supporting evidence does not mean the application cannot be processed, but only that the taxpayer's evidentiary position is more difficult.

2. The tax instalment plan as an instrument of fiscal policy

Tax policy instruments can be generally classified into two categories – discretionary measures and automatic stabilisers (Mankiw, 2016, p. 698). Discretionary measures require conscious operational intervention by government. As the name suggests, automatic stabilisers operate automatically in the economy without government intervention. Both types of instruments have their advantages and disadvantages, and economists still have no definitive consensus about which type states should predominantly use. This follows from the past: the theory of the ‘visible hand of the state’, which John M. Keynes came up with in the 1930s, favoured active discretionary state action, regardless of its costs. Following the embodiment of this approach in President Roosevelt’s New Deal, fiscal stimulus enjoyed popularity until the late 1960s, when its effectiveness began to be questioned because of rising inflation. States re-entered a prominent role as active discretionary fiscal policymakers in the global economic crisis of 2008 (Macroeconomic Group, 2009, p. 13) and the subsequent pandemic. With the Czech Republic now facing the highest inflation in its history as an independent state, it is necessary to discuss whether discretionary measures still represent an appropriate path.

The fundamental problem with discretionary measures is that they are usually associated with fiscal costs. The aim is to transfer these fiscal costs to the economy and to act as a stimulus to economic entities. However, this does not happen to the full extent of the costs due to the multiplier effect. For example, when taxes are reduced, people save some of the newly raised money rather than using it for spending. Thus less money is transferred into the economy than the cost of the discretionary measure. The size of the tax multiplier is therefore a crucial factor in determining whether or not a government should introduce a measure, as its value depends on many factors: the phase of the business cycle, taxpayers’ expectations or political activity. On the other hand, automatic stabilisers do not act so strongly that they can prevent a recession on their own; instead, their role is to dampen economic fluctuations (Fatás & Mihov, 2003, p. 1438). So it is not possible to say unequivocally which type of measure is better, and policymakers should always take into account their pros and cons and develop an appropriate combination for a given country.

The tax instalment plan has features of both an automatic stabiliser and a discretionary measure. The automatic effect is that its availability is permanent, but its ‘activation’ (or use) occurs only when taxpayers need it. Submitting an application is essential, because this step prevents undesirable activation of the tool. Ordinary automatic stabilisers react to the economic situation regardless of whether their action is appropriate (Kubátová, 2018, p. 114). The decision as to whether the statutory conditions for allowing repayment are met is then taken by the tax authorities – the discretionary element is applied here. This ensures a case-by-case assessment.

A related advantage is that thanks to its long-standing and traditional anchorage in the legal system, this instrument does not require an implementation process, which can be an obstacle when a rapid response is needed in times of crisis. Indeed, in general, implementation delays are one of the pitfalls of discretionary fiscal interventions (Šaroch et al., 2003, p. 662) as they slow down the response to the economic situation. The automatic activation of tax instalment plans when necessary allows for a real-time response to the economic situation (Kalckreu & Wolff, 2007, p. 9). Reaction speed is further supported by a statutory time limit of 30 days for processing the application.

The tax instalment plan is available to all taxpayers, who must prove that they are eligible for it, that is, they meet the statutory conditions. It ensures that the relief is granted only in individually justified cases to those directly affected. A frequent problem with fiscal measures is that they operate across the board, automatically benefiting those who do not need them. It is almost impossible to create a new measure in a time pressure (e.g. during an economic crisis) that would only apply to those who have actually been affected by the crisis. However, the instalment plan has this advantage.

The fundamental question for any fiscal measure is the fiscal cost. In the case of tax instalments, it is a *de facto* fiscally neutral instrument. When correctly applied, it does not cause any outflow of public funds in the long run. Moreover, the cost of money over time is partly offset by the special interest and administration fee. Even the administrative fee, although linked to the problems mentioned above, undoubtedly constitutes some fiscal revenue. These factors ensure the sustainability of tax revenues and thus of public finances. For taxpayers, on the other hand, the instalment plan provides short-term cash-flow relief, which is usually a significant problem in times of crisis. In general, cash-flow measures are very popular in crises, even in the euro area, because they can have a positive impact on taxpayers' liquidity at a low fiscal cost (Haroutunian et al., 2021, p. 94). It is not financial support, which, when poorly applied to non-affected entities, helps to spin an inflationary spiral. It is merely a permissible deferral of payments, coupled with the impossibility of execution. It helps to bridge the taxpayer's crisis period and ensures the taxpayer's financial background sustainability. Ultimately, this instrument is likely to positively affect the economic stability of the taxpayer and in the long term will support the production of additional tax revenue.

3. The tax instalment plan as a relief instrument in the Covid-19 crisis

During the Covid-19 pandemic, politicians came up with countless fiscal measures that they implemented to eliminate the economic consequences of the restrictions. Temporary state-aid measures at the time of the pandemic, not only in the form

of tax advantages, were also approved by the EU Commission (2020), which stated the conditions for compatibility with Article 107(3)(b) TFEU in a Communication defining the need for appropriate state-aid measures. The Czech Republic was no exception. In the area of tax, collective remission was mostly used,⁷ which effectively postponed the payment of tax obligations through the remission of related sanctions.⁸ At the same time, there were also changes in tax laws: the property transfer tax was abolished, electronic records of sales were suspended (and then abolished) and the tax on personal income from employment was significantly reduced (by abolishing the super-gross wage).⁹ This legislative framework shows that the Czech Republic used centralised instruments, unlike, for example, Poland, where tax concessions were also adopted at municipal level (Popławski & Charkiewicz, 2021, p. 59).

The fiscal costs of measures adopted in the Czech Republic were enormous.¹⁰ Despite this, a relatively simple and well-known tax instrument – the tax instalment plan – was not considered by political representatives. The only exception was the Minister of Finance, who occasionally mentioned this tool. However, this approach has been replaced by the tax authorities, who have realised the potential of the tax instalment plan. The highest authority responsible for unifying administrative practice instructed tax administrators that their administrative considerations should consider the crisis and the related restrictions. The tax administration was most lenient with directly affected taxpayers (travel agencies, restaurants and others). Applications from these taxpayers were assessed in the context of knowledge of the restrictive measures, and related facts did not need to be proven by the taxpayers. It would appear that the tax authorities waived the standard of proof. On the other hand, it would be redundant, burdensome and inefficient to prove something known to the tax authority from its activities. At the same time, tax officials, in line with the principle of helpfulness and cooperation, have significantly increased informal communication in the context of application procedures, although they are not obliged to do

7 Collective remission of tax and tax accessories is an instrument which is entrusted to the Minister of Finance. The minister may decide to remit the tax or its accessories in the event of extraordinary events, in particular natural disasters, or in the event of irregularities arising from the application of tax laws. This decision is published in the Financial Bulletin.

8 E.g. Decision No. MF-7108/2020/3901–2 (Ministry of Finance of the Czech Republic, 2020a), Decision No. MF-7633/2020/3901–2 (Ministry of Finance of the Czech Republic, 2020b), Decision No. MF-8592/2020/39–2 (Ministry of Finance of the Czech Republic, 2020c), Decision No. 15195/2020/3901–4 (Ministry of Finance of the Czech Republic, 2020d) and Decision No. 7413/2021/3901–2 (Ministry of Finance of the Czech Republic, 2021).

9 Act No. 386/2020 Sb.; Act No. 137/2020 Sb.; Act No. 458/2022 Sb.; Act No. 609/2020 Sb.

10 E.g. in the case of the abolition of the super-gross wage, the loss of public revenue is estimated at CZK 116 billion (Kališková & Šoltés, 2022, p. 4), and the abolition of the property transfer tax is associated with an estimated loss of public revenue of almost CZK 14 billion (Chamber of Deputies, Parliament of the Czech Republic, 2020).

so. This approach has ensured a flexible use of this instrument, as is evident from the data in Table 1.

Table 1. Use of the tax instalment plan during the Covid-19 pandemic

Selected tax office	2019	2020	2021	2022
Number of applications	169	434	190	143
Number of positive decisions	112	324	80	37

Source: author's data from the Tax Office for the South Moravian Region, Territorial Branch for Brno I

Data collected from the activities of the selected tax office clearly show that the tax instalment plan was widely used during the pandemic. The most exposed year was 2020, in which three-quarters of the total number of applications were granted. These were 150% more than in 2019. The second year affected by the pandemic was already less dynamic, so the onslaught of applications was gradually stabilised, and only one in two were granted. As the pandemic and restrictions faded, the tax administrator restored standard mechanisms. Then, in 2022, there was a marked dominance of refusals, which can be explained by the change in administrative practice during the pandemic. Indeed, many taxpayers became accustomed to a lower standard of proof because the tax administrator relied on common knowledge based on the established restrictions. While taxpayers continued to refer frequently to the effects of the pandemic, it was necessary to prove these effects individually, which usually did not happen. It can be added that in 2020, taxpayers started to face the impact of the war in Ukraine, but the tax administration could not adopt the same model of administrative practice as during the pandemic. The restrictions in the pandemic were specific in that they made it easy to identify taxpayers whose activities were affected. In the current situation, this cannot be deduced.

Conclusions

A tax instalment plan has all the characteristics of an economically desirable fiscal measure. It is an exceptional instrument that temporarily relieves taxpayers from paying their tax obligations. Its use is left to the discretion of taxpayers since it is only implemented when they need it. On the other hand, the need to carry the burden of proof as to whether the conditions are met ensures that repayment will only be allowed to those taxpayers who are actually in an emergency situation. It ensures the individuality of the instrument. From a fiscal point of view, it is also a win-win instrument for both parties, the state and the taxpayers. Unlike other tax measures usually associated with high fiscal costs, this is ideally an instrument without fiscal

impact on public budgets; it ensures the sustainability of tax revenues. On the taxpayer's side, an instalment plan stabilises cash flow and eliminates the negative consequences of executions; overall, repayment has the effect of stabilising their financial situation.

In the Czech Republic, the only significant problem with this measure is that it is overused in practice. This is due to the low administrative fee and the lack of explicit legal restrictions on those who abuse this benefit. This aspect must also be seen in the context of the considerable administrative burden of processing the application. The tax administrator should have clear rules to identify those not entitled to tax instalments, as is the case in Slovakia.

Despite the above conclusions, this instrument received virtually no attention from politicians during the crisis. Instead, during the pandemic, fiscally costly tax reliefs with detrimental effects on public budgets, such as the abolition of the super-gross wage or the property transfer tax, were introduced. However, this instrument was supported by the tax administration and was also widely used by taxpayers. Due to the vagueness of the legal terms in the law, the tax authorities were able to respond to the situation by temporarily changing administrative practice to reflect general knowledge of the sectors affected. The general consequences of the crisis were also taken into account in administrative considerations. The vague legal terms in the context of the reasons for allowing the tax instalment plan, therefore, appear to be advantageous, as they allow reflection of a wide variety of circumstances. During the Covid-19 pandemic, the tax administration reacted flexibly to the situation and used this instrument effectively, as is evident from the evaluated data. It has therefore been confirmed that an instalment plan is an economically appropriate tool for dealing with the crisis. Appropriately set legal frameworks allow for its effective use by taxpayers affected by the crisis.

- It can be concluded that the hypothesis has been verified. From the analysis, the following conclusions emerge:
- The tax instalment plan is an economically desirable measure in times of crisis, targeting only affected taxpayers,
- The permanent availability of the tax instalment plan in the tax laws makes it a tool that is 'spontaneously' activated in a crisis by taxpayers, not politicians,
- Tax instalment plans do not have a negative impact on public budgets in the long term, so it can be considered an instrument of fiscal sustainability.

While the tax instalment plan is not a fiscal injection that can boost the economy overnight, it is a simple and effective relief tool that can help any taxpayer in the short term in times of emergency. Even so, it is a somewhat underappreciated tool. Of course, it cannot be a surprise that it is politically preferable to make big tax changes in a crisis that affects all taxpayers. Indeed, these steps look like a real help to people and businesses. But the risk that these changes will have a negative effect on the econ-

omy as a whole in the long term is enormous. Some studies have even shown that these short-term tax concessions have often been ineffective in helping individuals and enterprises in difficulty (Sadiq & Krever, 2021, p. 218). This article is intended to make us think about whether relying on traditional or 'old' tools might not be the best way in some cases. Indeed, sometimes they can serve as well, or perhaps better, as is demonstrated with the tax instalment plan. The idea is simple: thinking about old things in a new light can be better than constantly creating new ones.

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