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Globalization and Harmful Tax Competition

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Abstract: This study focuses on the difficulties in taxing capital, which can easily overcome time and space limitations with the globalization process. It is observed that especially developing countries resort to low tax rates and various tax privileges in order to attract foreign capital to their countries due to the economic conditions they are in. The continuation of this trend among countries, in other words, tax competition among countries erodes tax bases, disrupts the integrity of tax structures and, in particular, weakens tax justice. This harmful tax competition leads to a shift in the tax burden from highly mobile capital to relatively less mobile labor. This study analyzes the changes in corporate tax rates of OECD countries and Balkan countries during the globalization process. In order to solve the global problem of harmful tax competition and other global tax problems, states should work together. Harmonization of tax systems, comprehensive cooperation between tax administrations and transparent exchange of information are crucial to minimize the erosion of tax bases.

Keywords: Globalization, harmful tax competition, transfer pricing, tax havens, corporate tax

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Introduction

As a result of the technological revolutions in the field of micro-electronics in the 1970s, there have been significant developments in the fields of communication, information and transportation. As a result of these developments, the costs of communication, informatics and transportation have been greatly reduced, and thus economic and social integration between countries has increased.

In the globalization process, full liberalization of goods, services and capital movements is aimed. In line with this objective, countries are asked to liberalize money and capital markets, ensure full convertibility of their currencies and remove barriers to foreign trade.

Nowadays, with the impact of the technological revolution, the mobility of economic transactions and economic agents has increased tremendously. Many economic transactions are now carried out in cyber-spaces. Thanks to the technological developments, time and space limitations on capital have disappeared and the borders of nation-states no longer constitute an obstacle for capital.

Nation-states seeking to attract foreign capital to their countries have found themselves confronted with short-term speculative capital movements called hot money on the one hand and multinational corporations, whose economic power has now reached the power of many nation-states, on the other. In order to attract both portfolio investment and foreign direct investment or to prevent the flight of these investments, countries have had to make some tax or non-tax concessions. It is often observed that countries engage in tax competition with each other in order to attract such investments. All these developments have led to significant changes in the tax systems of nation-states and the tax policies implemented by states.

Since many countries cannot easily tax highly mobile capital, they face the risk of erosion of their tax bases. With the globalization process, nation-states have had to deal with global problems, especially in terms of taxation. In this study, we will try to focus mainly on harmful tax competition among tax problems.

Globalization and Tax Policy

Globalization can be defined as the process by which events and decisions that take place on the other side of the world, far away from us, affect our lives. The decline in the importance of geographical distances and country borders between nation-states can be emphasized as the main features of globalization (Heywood, 2002: 138).

Tanzi defines globalization as follows (Tanzi, 2004: 1):

> *"(...) Globalization can be interpreted in various ways but essentially it means that a country's dependence on the rest of the world is now very high. What happens abroad matters and the rest of the world has many ways of intruding in the activities of a country and of its citizens."*

Stiglitz, on the other hand, defines globalization as the integration of countries and peoples of the world, the incredible reduction in communication and transportation costs, and the removal of artificial borders that prevent goods, services, capital, information and people from crossing national borders. However, he draws special attention to the fact that the freedom of movement of capital gained by getting rid of artificial borders is much more than the freedom of movement of people (Stiglitz, 2002: 9).

The process of globalization we are experiencing is also defined as *"the development, expansion and deepening of capitalism*" (Koray, 2001: 30) and *"the phenomenon of the dominant central capital covering the globe in order to create new production and consumption centers for itself in order to increase its squeezed profit margins"* (Önder, 2001: 61).

In the process of globalization, capital calls any social, administrative or legal restrictions that create obstacles to its profitability as irrational and insists on the necessity of removing these restrictions (Yeldan, 2008: 19). In other words, globalization is considered as *"the continuation of the effort of the centers of the capitalist world system to shape the world economy according to their own needs"* (Somel, 2002: 150).

Adda draws attention to the same point (Adda, 2005: 9-10):

> *"Globalization, as the expression of the universal expansion of capitalism, which has now begun to push the boundaries of the globe, is also and above all a process of encircling, piercing and finally destroying the physical and legal borders that stand in the way of capital accumulation around the world."*

Neoliberalism has been on the rise in the post-1980 period and has profoundly affected social life in many countries. Neoliberal economic policies, together with a widespread globalization discourse, aimed to ensure the free international movement of goods, services, physical and financial capital by removing barriers to their movement under the dominance of free markets. Under the assumption that free markets and a competitive environment would produce results in favor of all parties and ensure the efficient allocation of resources, these policies have developed in the direction of liberalizing foreign trade, financial markets and international financial flows and reducing the role of the state in the economy. The process of these developments is generally referred to as *neoliberal globalization* (Şenses, 2021: 115-116).

In the 1970s, the failure of Keynesian demand management policies to find a solution to the problem of stagflation, which was characterized by inflation and stagnation in developed countries, led to the rise of supply-side economics. This new approach argues that increasing investment and production will increase the level of demand and employment, and therefore, it is necessary to remove the obstacles to production. Therefore, high tax rates, which are considered to be one of the most fundamental obstacles, should be reduced and the scope of the state's activities in the economy should be restricted (Şenses, 2021: 118). In other words, it is emphasized that the sensitivity of capital to taxation is much higher nowadays when capital movements are globalized and therefore, the loss of efficiency that will be encountered as a result of taxation will be much higher (Albayrak, 2011: 306).

The globalization process, which has gained great momentum since the 1990s, has increased international integration in goods, services, technology, capital and labor markets. Tax policies, which are shaped by domestic economic and social considerations, are also seriously affected by this process (Akkaya, 2003:

2). In other words, the process of removing the barriers to the movement of goods and factors and technological advances have a significant impact on the tax revenues of countries. Globalization is seen to have a limiting effect on tax policies, especially in developing countries (Akkaya, 2011: 50-51).

After the Second World War, public expenditures and tax policies started to be used as effective tools by countries; in this period, the concepts of *progressive taxation* and *tax justice* gained importance and taxation was seen as a fundamental tool for economic objectives. Tax policy, which was used as an effective tool for objectives such as encouraging investments, improving income distribution and ensuring economic growth, has moved away from these objectives in the globalization process. Today, all nation-states are trying to restructure their tax systems in accordance with the political and economic realities of the globalization process (Çevik, 2004: 155-156).

As a result of the liberalization of capital movements, nation-states, which previously implemented independent economic policies, had to make some changes in their economies in order to attract more capital to their countries. As a result, the economic systems and economic policies implemented in the world have become closer to each other day by day (Bakkal, 2003: 90). Nowadays, it has become difficult for any country to implement economic policies independently from other countries as the economic relations between countries have intensified (Akkaya, 2003: 2).

Turhan also draws attention to the fact that countries today have fewer opportunities to implement independent economic policies (Turhan, 1998: 434):

> *"It has also been emphasized that globalization offers new opportunities for national economies, but also increases the risks of harmful tax competition. This is because technological innovation, the growth of multinational corporations, and expanding trade and investment are increasingly limiting the economic policy choices of countries."*

As a result of the increasing economic integration among countries, the potential impact of the tax system practices of one country on the tax policies of other countries has increased. Changes in the world economy and tax regimes implemented in other countries affect the economies and tax systems of other countries. Therefore, in the globalizing world, it is becoming increasingly difficult for countries to conduct a tax policy independent from the economies of other countries and their tax systems. The movement of capital and investments between countries, and thus between taxation jurisdictions, has become easier (Çevik, 2004: 154). It has also become more difficult to subject these factors with increased mobility to national taxes. The direction of mobility of factors of production such as capital and labor is mostly from high-tax countries to low-tax countries, which significantly limits the ability of a country to set higher tax rates than other countries (Giray, 2003: 125).

From the perspective of developing countries, it is observed that especially since the 1990s, these countries have turned to foreign savings in order to eliminate balance of payments problems and finance sustainable development. Therefore, considering the need of developing countries for foreign savings, the importance of attracting foreign direct investments and short-term capital movements to their countries can be clearly seen.

The increased mobility of capital has led to competition among countries to attract tax-sensitive capital to their countries. As a result of increased capital flows and developments in financial markets, countries are forced to reduce tax rates and eliminate tax barriers. While countries' tax bases are eroding on the one hand, on the other hand, the tax burden falls more on factors of production such as labor, which has lower mobility. This development makes it difficult for countries to implement redistributive policies through tax policy (Çevik, 2004: 155).

As a matter of fact, Albayrak expresses the transformations in the perspective on taxation as follows (Albayrak, 2011: 287-288):

> *"(...) the question of who should bear more of the tax burden has turned tax debates into the arena of the fiercest class struggles. From Ricardo to Schumpeter, all kinds of taxation that would increase the tax burden of capital owners (such as progressive income tax or taxation of capital income) have been distanced on the grounds that it would harm the creativity and*

productivity of capital, hinder capital accumulation and thus disrupt the engine of capitalism. (...) The process that transformed taxation from an instrument threatening private property into a legitimate source of revenue and an element of fiscal policy developed with the expansion of the role of the state in the economy and the acceptance of the obligation to provide public services, and with the redistributive welfare state between World War II and the 1980s, taxes became both the main financing tool for the large social welfare expenditures undertaken by the state and one of the main policy instruments of intervention in income and resource distribution disorders. However, in the 1980s, with the re-emergence of the market as the main institution for the stability of the economy and society, the negative burdens of taxation have been re-emphasized."

In his article titled "*Globalization and the Work of Fiscal Termites*", Tanzi draws attention to eight fiscal termites (white ants) that will lead to a decrease in the tax revenues of countries in the process of globalization, in other words, destroy the tax structure of countries. These financial termites are as follows: (1) Electronic commerce and international transactions, (2) Electronic money, (3) Intra-company trade, (4) Off-shore financial centers, (5) Derivatives markets and hedge funds, (6) Inadequate taxation of financial capital, (7) Increased overseas activities, and (8) Overseas purchases. Tanzi also pointed out that high tax rates in a country may encourage taxpayers to move capital to countries with low tax rates, and that it has become much more difficult to tax highly mobile capital or specialized individuals at higher rates than abroad in today's world of international capital market development (Tanzi, 2003: 96-99).

To summarize, the increased mobility of capital as a result of the liberalization of foreign trade and capital markets significantly limits the implementation of effective tax policy in both developed and developing countries. However, the problem is more serious especially in developing countries. Because the inadequacy of tax administration in these countries, the need to substitute taxes on foreign trade with domestic taxes due to the increasing liberalization of foreign trade, and the increasing global economic integration facilitating transfer pricing manipulations of companies have negatively affected the tax revenues that should be obtained from the tax system (Akkaya, 2003: 5).

Therefore, international tax competition is seen as a type of competition that prevents nation-states from applying the tax rate and tax regime they want within their borders, threatens the fiscal sovereignty of nation-states and is considered harmful when it exceeds a certain limit (Öz, 2013: 153). In other words, the situation of developing countries, which, on the one hand, have a high level of need for tax revenues due to the prevention of budget deficits, financing of public expenditures and debt crises, and, on the other hand, their need for foreign capital has increased due to insufficient savings-investment rates, and their ability to collect revenues is limited, is indeed serious (Çevik, 2004: 156).

Globalization and Tax Issues

The concepts of *international double taxation*, *transfer pricing* and *tax competition* have emerged as the main tax issues at the center of discussions with the globalization process.

International Double Taxation

International double taxation can be divided into two as legal and economic: Double taxation in the legal sense is the levying of similar taxes by two or more states on the same tax subject in the same taxation period. Double taxation in the economic sense is when more than one person is held liable for the same tax subject (Turhan, 1998: 430).

Today, as a result of the increase in economic relations between countries, the issue of double taxation has gained great importance. The *principle of tax justice* is negatively affected by the fact that a taxpayer is liable to more than one state on the same subject and tax base and pays taxes to these states. Many countries have tried to solve the problems of double taxation by unilaterally limiting their taxation powers through amendments to their national legislation. However, even the unilateral limitation of taxing powers by some states could not prevent the double taxation problem. In this case, the problem in question has been tried to be solved through *international tax treaties* between countries, which are considered as one of the primary sources of tax law and which the signatory states are obliged to comply with (Aksoy, 2010: 13). In order to ensure efficiency in resource allocation, capital should be directed towards the area with the highest return. However, in the case of double taxation, it is observed that this risk causes investors to change their decisions and deviate the direction of investments, and as a result, efficiency in resource allocation deteriorates (Özgül, 2022: 128).

In other words, unilateral arrangements made by states in their national legislation have been insufficient to prevent double taxation. It is believed that the problem of double taxation can only be solved by signing international tax treaties through mutual or multilateral exchange of views. The provisions in these treaties, which are intended to support the exchange of information and cooperation between the fiscal administrations of countries, also have a significant impact on the prevention of international tax evasion (Bakkal, 2003: 93).

Transfer Pricing

In the process of globalization, the world economy has become a market dominated by multinational corporations (MNCs), whose number and power have increased rapidly. As a result of the expansion process brought about by multinational corporations, the transfer of tangible and intangible assets between the parent company and its subsidiaries in foreign countries, which are buyers and sellers of each other, has also increased to significant levels. As a result of the fact that a significant portion of the world trade is realized among multinational corporations, the pricing in the transfers of goods and services between multinational corporations among themselves and across borders is of great concern to both the multinational corporations making the transactions in question and the countries in which the transactions are realized. While the multinational corporations making such transactions try to minimize the total amount of tax they have to pay by underestimating the profits to be obtained from the transactions, the countries where the parent company is located and the countries where the investments are made try to maximize their tax revenues (Kovancılar, Miynat & Bursalıoğlu, 2007: 72).

It is seen that multinational corporations, which are among the most effective actors of the world economy and have very important economic power, have surpassed many nation-states in terms of economic power. When the top 15 multinational corporations with the highest revenues in 2024 are analyzed, it is seen that Walmart ranks first as the multinational corporation with 648,125 million US dollars and Amazon ranks second with 574,785 million US dollars (See Table 1). As a matter of fact, as of 2024, it is noteworthy that the income of Walmart is much more than the national income of many countries in the world.

For example, when the gross domestic product (at current prices) of the Balkan countries in 2024 is analyzed, the gross domestic product of Republic of North Macedonia is 16.68 billion US dollars, the gross domestic product of Bosnia and Herzegovina is 28.8 billion US dollars, the gross domestic product of Albania is 27.26 billion US dollars, the gross domestic product of Republic of Kosovo is 11.15 billion US dollars, the gross domestic product of Montenegro is 8.02 billion US dollars, Slovenia's gross domestic product is 72.46 billion US dollars, Croatia's gross domestic product is 92.51 billion US dollars, Serbia's gross domestic product is 89.07 billion US dollars, Bulgaria's gross domestic product is 112.23 billion US dollars, Greece's gross domestic product is 257.07 billion US dollars and Romania's gross domestic product is 384.15 billion US dollars (International Monetary Fund, 2025). The sum of the gross domestic product of these Balkan countries in 2024 is approximately 1.1 trillion US dollars, and it is noteworthy that this figure is less than the sum of the revenues generated by the top two multinational corporations such as Walmart and Amazon in 2024 (approximately 1.2 trillion US dollars).

In general terms, transfer pricing can be defined as the pricing applied in the sale of goods and services or other similar commercial transactions between different departments, divisions, branches, subsidiaries, etc. of an enterprise within the same commercial, industrial or financial organization and other similar partnerships (Öncel & Öncel, 2004: 17). In other words, transfer pricing is the price applied in the purchase and sale of goods and services and financial transactions between related companies. Profit can be transferred from one enterprise to another through the exchange of goods and services between enterprises, particularly multinational group corporations, at prices and prices that are not fair. In the event that income is transferred from one country to another, the country that suffers a loss of national income also suffers a loss of tax revenue (Susam & Oktayer, 2012: 185).

Foreign investors aiming to minimize the global tax burden will either make direct investments in a country with low tax rates after receiving assurances that tax rates will not change in the short term or transfer their income earned in the country with high tax rates to this low-tax country through transfer pricing (Bakkal, 2003: 95).

As can be seen, through manipulations in transfer pricing, companies shift their profits from countries with higher tax burdens to countries with lower or no tax rates. Through transfer pricing, companies have the opportunity to minimize their profits in countries with high tax burden (Öncel & Öncel, 2004: 17). Through this practice, the impression is created that a small portion of the total profits of multinational corporations or international firms are generated in countries with high tax burden and a large portion of their profits are generated in countries with low tax burden. Thus, it is ensured that profit margins in countries with high tax burden are low (Bakkal, 2003: 95-96).

In other words, if the parent company of a multinational corporation is located in a country with a high tax rate and the subsidiary company is located in a country with a low tax rate, the parent company purchases goods from the subsidiary company at as high a price as possible and the parent company sells goods to the subsidiary company at a low price in order to reduce the profit of the parent company and thus reduce the amount of tax to be paid. Naturally, the tax systems of countries are also seriously affected by this situation (Kovancılar, Miynat & Bursalıoğlu, 2007: 75).

Zucman also notes that offshore tax havens not only enable individuals to avoid taxes, but also offer multinational corporations many opportunities to avoid taxes. Multinational corporations generally avoid taxes by taking advantage of loopholes in existing legislation. Multinational corporations use two major techniques for tax optimization: first, borrowing between group companies and second, manipulation of transfer pricing. Regarding transfer pricing manipulations in particular, Zucman states that multinational corporations can sell goods such as buckets or bananas at exorbitant prices to themselves, but the risk for the corporations is high. This is because it is relatively easy to be detected by the tax administration and the risk of the company being penalized is high. Therefore, multinational corporations prefer to manipulate the prices of patents, logos, trademarks and algorithms because they find it less risky to do so, as it is much more difficult for the tax administration to determine the true value of these assets (Zucman, 2015: 102-104).

In addition, while multinational corporations benefit from public services in the countries where they operate, they do not participate in the financing of public services in these countries through transfer pricing, which is actually a very important problem of injustice (Çevik, 2004: 160).

The purpose of the legal regulations aimed at eliminating disguised profit transfer through transfer pricing is *"to ensure that the income of real persons and corporations engaged in the purchase or sale of goods or services with related parties is declared fully and accurately and to prevent the erosion of the tax base through transfer pricing"* (Susam & Oktayer, 2012: 185-186). Both the Organization for Economic Co-operation and Development (OECD) and the European Union (EU) are trying to take various measures against transfer pricing manipulations. Most of the countries (e.g. USA, etc.) have a separate transfer pricing law (Öncel & Öncel, 2004: 18). In addition, reducing the differences in corporate tax rates between countries is seen as another measure.

It is seen that the first legal regulation on transfer pricing was realized in 1954 with Section 482, which was included in the US Revenue Code. Moreover, in the 1970s, the Internal Revenue Service in the US (IRS) and Inland Revenue in the UK drew attention to fraudulent and tax evasion transfer pricing and developed various methods to prevent them. In time, the legal regulations, especially in the US, set an example for other countries and various organizations, particularly the OECD. With the guidelines published by the OECD between 1979 and 1984, it is seen that the OECD has taken serious legal measures on transfer pricing. Moreover, the OECD Guidelines issued in 1995 represent a consensus among OECD member countries, mostly developed countries, and are largely followed in domestic transfer pricing regulations. Recently, countries and tax authorities have increasingly scrutinized transfer pricing manipulation in order to prevent such tax avoidance. As a matter of fact, countries have rapidly tried to make various tax regulations in the field of transfer pricing, to improve existing regulations, to improve audit capabilities and to establish a comprehensive cooperation between the tax authorities of different countries in the fields of information exchange and audit (Kovancılar, Miynat & Bursalıoğlu, 2007: 73, 76-77).

Tax Competition

In the globalization process, there are two main conditions for countries to attract foreign direct investments and short-term capital movements (hot money) to their countries: The first is to provide a wide range of public services and the second is to create a tax structure in favor of highly mobile factors. The following section will focus on tax competition that leads to changes in the tax structure. First, the concept and theory of tax competition and then harmful tax competition will be discussed.

The Concept and Theory of Tax Competition

As a result of economic integration and increasing financial mobility, tax competition can be defined as countries causing erosion in the tax bases of their competitors by using low tax rates to ensure capital mobility and attract companies to their markets. However, another point to be noted regarding tax competition is that tax competition should not be based solely on changes in tax rates. Tax rates have significant effects on investment and location decisions. However, *tax privileges* other than tax rates can also lead to erosion in the tax bases of other countries (Giray, 2003: 126).

Multinational corporations, which can carry out different stages of their production in different countries, decide on the country where all or some stages of production will take place based on how labor- or capital-intensive the production is, the relative labor/capital price, whether they are close to the source of raw materials, the state of nature protection laws, the limited social rights of workers and *low tax rates* (Kazgan, 2000: 70).

Developing countries, on the other hand, tend to suppress the wages and social rights of workers in their own countries, grant legal concessions to foreign capital, provide tax facilities, and ignore concerns such as nature protection in order to enable multinational corporations to produce in their countries. In addition, developing countries use cost-reducing factors such as *cheap labor and flexible nature protection laws* to compete in domestic markets with imported goods and in foreign markets with exported goods (Kazgan, 2000: 209).

Reducing the tax burden in favor of foreign investors can take the following forms: Reducing the corporate tax rate on the income earned by foreign investors, granting tax deferral for a limited or unlimited period of time in favor of foreign investments, creating special tax-free zones, granting special investment discounts, etc. As can be seen, tax competition is realized not only by reducing tax rates but also by *narrowing the tax base* (Giray, 2003: 126).

When we look at the theory of tax competition, we first encounter the American economist Charles Tiebout. In 1956, Tiebout, in his article titled "A Pure Theory of Local Expenditure", drew attention to the fact that competition among private firms ensures the efficient provision of private goods, and therefore argued that competition among local governments would ensure efficiency in the provision of local public goods to citizens. This hypothesis is called *the Tiebout hypothesis* (model) (Stiglitz, 2000: 734-735).

Tiebout argues that horizontal local tax competition leads to Pareto efficient resource allocation. Assuming that individuals and firms have full mobility across administrations, Tiebout argues that in equilibrium, these economic agents will settle in the administration that offers the bundle of public goods and taxes that best suits their choices (Bakkal, 2003: 98). In other words, Tiebout put forward a model of competition among local governments in terms of the public goods provided by local governments and the financing of these goods. According to this model, in order to prevent residents from relocating to another local government, a local government must both provide services in line with residents' preferences for public goods and adjust its tax level accordingly. If the local administration in question fails to make such an adjustment, residents within the borders of this local administration will compare local administrations in terms of public expenditures and taxes and will move to the local administration that is most suitable for them (Susam, 2024: 327-328).

Therefore, Tiebout's study, which is considered to be one of the first studies on tax competition in the literature, argues that individuals pay particular attention to the public services provided by local governments and the taxes they will pay for these services when choosing their settlements, and emphasizes that competition among local governments to influence individuals' settlement choices will increase the efficiency of public services and taxes collected. After Tiebout's study, a basic model of tax competition was put forward by Wallace E. Oates in 1972 and then the basic tax competition model was developed by George Zodrow and Peter Mieszkowski in 1986. As a matter of fact, while Tiebout's model argues that tax competition has a positive effect on the production of optimal public goods, the later models of tax competition emphasize that tax competition has a negative effect which causes insufficient public goods production (Öz, 2013: 155).

When local governments, which are authorized to tax a tax base that has the right of free movement, engage in tax competition with each other, a sub-optimal tax rate and a low supply of public goods will result. *Tax coordination* has been proposed to prevent such harmful tax competition. For example, in 1962, Fritz Neumark recommended a certain level of tax coordination among the members of the European Community in order to prevent harmful tax competition among them with respect to taxes on capital. In 1972, Oates stated that local governments trying to attract capital to their regions would engage in tax competition with each other, and emphasized that as a result of this competition, the capital income tax rate and the supply of local public goods would remain below their efficient levels (Önder, 2011: 318-319).

However, it would not be appropriate to adapt Tiebout's hypothesis, which is a model considered between local governments, to international tax competition. As a matter of fact, Tiebout's hypothesis was severely criticized when international tax competition came to the agenda. In his model, Tiebout assumed that individuals have full mobility, governments have full information about their budget and alternative policies, public activities do not create externalities, and there are enough differences between administrations that individuals can find the services they want.

Therefore, after Tiebout, who emphasized domestic tax competition, international tax competition has also been emphasized and various models have emerged. These models emphasized the view that tax competition has a distorting effect on resource allocation and resource utilization and reduces tax revenues and the level of public services (Öncel & Öncel, 2004: 6).

Harmful Tax Competition

Harmful tax competition can be characterized as the granting of special tax privileges that are essentially intended to erode the tax bases of other countries and are not directed towards tax policy objectives for the country (Akkaya, 2003: 20).

The model presented by Zodrow and Mieszkowski in their 1986 joint article "Pigou, Tiebout, Property Taxation and Underprovision of Local Public Goods" assumes two countries sharing an internationally mobile tax base, especially capital, and argues that their tax policies are interdependent. One country's tax revenue depends on the other country's tax rate. Since each country seeks to attract the mobile tax base from the other country, the model implies that this interdependence will trigger *a race to the bottom* in taxation. In equilibrium, tax rates are lower in both countries, which leads to underprovision of public goods and services on the one hand and to a shift of taxes from mobile capital to factors with little or no mobility such as labor and land on the other (Önal & Temelli, 2012: 215-216).

As countries engage in tax competition to attract capital and investment to their own countries, *a "race to the bottom"* begins. This kind of competition changes the direction of financial flows and real investments and leads to deviations from efficiency. Moreover, this competition between countries weakens the integrity of tax structures and tax justice. It leads to serious erosion in tax revenues. Moreover, tax competition causes the tax burden to shift to less mobile factors (primarily labor) (Çevik, 2004: 157). Similarly, Rodrik argues that the room for governments to collect taxes narrows; that when capital mobility is high, taxes on capital shift to more immobile factors such as labor; and that as openness to the outside world increases, taxes on capital decrease, but taxes on labor increase (Rodrik, 1997: 80-81).

It is clear that it is not easy for the state to increase the tax burden on foreign direct investments. Because the heavy tax burden on foreign direct investments discourages investments. For this reason, states are forced to reduce the tax burden on capital. As a result of lowering the burden of taxes on capital, *expenditures and wages are taxed* more. This clearly has negative effects on income distribution (Kazgan, 2000: 235).

Indeed, Şenses draws attention to the difficult situation of labor and the increasing inequalities in income distribution with the following words (Şenses, 2021: 121):

> *"(...) neoliberal practices have been accompanied by increasing income inequalities and unemployment, erosion of real wages, and the gradual replacement of the emphasis on social values and goals with individual interests. Parallel to these developments, functional income distribution has also deteriorated rapidly. While the share of labor in total income declined, the share of capital increased. The increase in inequality was driven by factors such as the widening gap between qualified and unqualified labor wages in labor incomes, rapidly rising unemployment and wage increases lagging behind the increase in national income per capita."*

It is constantly emphasized that the tax measures introduced by countries have diversionary effects on production, trade, capital and investments. In addition, it is often stated that these tax regulations and practices lead to the shifting of tax bases between countries, thus creating unfair resources in terms of tax revenues to the detriment of some countries (Öncel & Öncel, 2004: 9).

In the 1980s, it was frequently emphasized that the savings that would be generated by easing the tax burden on capital gains and high-income groups would constitute the necessary resource for investments (Sönmez, 2009: 32). With the influence of these views, significant changes were made in the tax system in Türkiye in the 1980-1988 period and various exceptions and exemptions were introduced in favor of corporations in corporate tax. In 1984, the wealth declaration, which was an important audit tool in terms of income tax, was abolished and *value added tax*, an indirect tax, was adopted in early 1985. With the adoption of the value added tax, the tax system in Türkiye became increasingly based on the contributions of wage earners and consumers (Boratav, 2008: 154).

Increasing income inequalities and decreasing job security as a result of globalization and increasing tax competition have increased the need of citizens for social security even more. However, the possibility that countries trying to provide social security services to their citizens may face a fiscal crisis due to tax competition has also increased (Akkaya, 2003: 9). Indeed, Rodrik emphasizes that the ability of states to allocate resources to social programs has decreased in the process of globalization (Rodrik, 1997: 92).

In addition to domestic reasons, international tax competition also plays a significant role in the decline in corporate tax rates. Countries have reduced corporate tax rates in order to remain competitive. A similar process has been followed in income tax, which taxes personal income, and countries have reduced income tax rates in order to stand out in international tax competition (Öncel & Öncel, 2004: 9).

In OECD countries, marginal tax rates on high income earners have been continuously reduced since 1980, with the marginal income tax rate for the top income group in OECD countries falling between 1984 and 2007. However, it is observed that general sales taxes and value added tax increased in the same period. An analysis of OECD data shows that statutory corporate income tax rates, which were around 45-50% in the early 1980s, declined to around 30% in 2007. It is also noteworthy that the rates of the tax collected from dividends within the scope of personal income tax also declined during the same period. As a matter of fact, this rate is below 20% as of 2005. However, a 2006 study by Gwartney and Lawson analyzed data from 17 selected countries around the world and emphasized that countries that substantially reduced the marginal tax rates of the top income groups faced the problem of increasing inequalities in income distribution after this policy change. When these authors made a comparison between countries with high and low tax policies in terms of income distribution between 1990 and 2000, they argued that countries with low tax policies faced serious income inequalities while countries with high tax policies faced lower income inequalities (Albayrak, 2011: 307-308).

Therefore, since the 1980s, in the competition among countries to attract international capital to their own countries, reductions in personal income and corporate income tax rates have been important policy instruments used in this field. Since the 1980s, significant reductions in corporate income tax rates have been realized in the majority of OECD countries.

Between 1981 and 2021, there was a rapid decline in the average corporate tax rate applied in OECD countries. The average corporate tax rate in OECD countries, which was 46.9% in 1981, increased to 47.3% in 1985, but then decreased with increasing momentum over the years, reaching 40.7% in 1990, 35.2% in 1995, 32.3% in 2000, 27.8% in 2005, 25.1% in 2015 and 23% in 2021. In other words, in the 1981-2021 period, the corporate tax rate decreased by approximately 23.9 points compared to OECD averages (İçmen, 2022: 15). In 2024, the average corporate tax rate in OECD countries is 23.85%. In 2024, the world and European Union average corporate tax rates are 23.51% and 21.27%, respectively (Enache, 2024).

The average corporate tax rate of Group Seven (G7) countries decreased from 48.4% in 1981 to 48.1% in 1985, to 44% in 1995 and then to 40.4% in 2000, 36.1% in 2005, 32.8% in 2010, 31% in 2015 and 26.6% in 2021. In other words, it is seen that the average corporate tax rate of the G7 countries decreased by approximately 21.8 points in the 1981-2021 period (İçmen, 2022: 15).

Table 2, which shows the changes in the corporate tax rates of OECD countries in the 1981-2024 period, reveals that the corporate tax reduction in each country exhibited a different development. Ireland's corporate tax rate of 45% in 1981 remained constant at 12.5% in 2005 and beyond. Hungary's corporate tax rate, which was 40% in 1990, is 9% in 2024. Hungary (77.5% reduction) and Ireland (72.2% reduction) have realized the largest percentage reduction in corporate tax rates. These countries were followed by Finland (67.5%), Sweden (66.4%), Austria (58.2%), Norway (56.7%), United Kingdom (51.9%), Germany (50.2%) and Türkiye (50%). The OECD average reduction over this time period was approximately 49%.

Therefore, Hungary (9%) and Ireland (12.5%) have the lowest corporate tax rates among OECD countries as of 2024. The highest corporate tax rates were applied by Colombia (35%), Portugal (31.5%), Mexico (30%), Australia (30%), Costa Rica (30%), Germany (29.9%) and Japan (29.7%).

Table 3, which shows the changes in the corporate tax rates of the Balkan countries in the 2000-2024 period, shows that the corporate tax rates in the Balkan countries, which were between 15% and 40% in 2000, decreased over time and were between 9% and 25% in 2008 and between 10% and 22% in 2024. In 2000, the average corporate tax rate in the Balkan countries was 26.5%, whereas in parallel with the downward trend in the world in general, this average rate decreased over time to 14.2% in 2008 and to 13.3% in 2012. Thereafter, the average rate fluctuated between 14% and 14.8% in the 2013-2024 period, similar to the stabilization in corporate tax rates, which was also observed across the world. In six of the twelve years in question, the rate was 14.6%. In 2024, the average corporate tax rate of the Balkan countries was 14.8%. Therefore, there is a decrease of 11.7 points in the average corporate tax rate of the Balkan countries in the 2000-2024 period.

When the changes in corporate tax rates between 2000 and 2024 are analyzed on a country-by-country basis for the Balkan countries, it is noteworthy that Bosnia and Herzegovina (-20 points), Greece (-18 points), Crotia (-17 points), Albania (-15 points) and Bulgaria (-15 points) are the Balkan countries with the largest decrease in these rates. As a matter of fact, Bosnia and Herzegovina (66.7% reduction) and Bulgaria (60% reduction) are the two countries that have realized the largest percentage reduction in corporate tax in the Balkan countries. Therefore, Bosnia and Herzegovina, Bulgaria, Republic of North Macedonia and Republic of Kosovo have the lowest corporate tax rates among the Balkan countries with 10% in 2024. The highest corporate tax rates are applied by Greece (22%), Slovenia (22%) and Crotia (18%).

Among these three countries, the corporate tax rates of Greece and Croatia are the same as in 2023, while only Slovenia's corporate tax rate is different from 2023. This is because the corporate tax rate in Slovenia was temporarily increased from 19% to 22% in 2024 for five years until 2028. This five-year tax was set to finance the country's reconstruction efforts after the massive floods in August 2023 (Enache, 2024).

In 2024, when the twenty countries with the lowest statutory corporate tax rates in the world are analyzed (excluding countries with a statutory corporate tax rate of zero percent), it is seen that eighteen of these twenty countries have corporate tax rates of 12.5% or less. Turkmenistan has the lowest statutory corporate tax rate at 8%. Nine countries have a statutory corporate tax rate of 10%, four of which are Balkan countries (Bosnia and Herzegovina, Bulgaria, Republic of North Macedonia and Republic of Kosovo). Hungary and Ireland are the only two OECD members represented among these 20 countries (Enache, 2024).

Between 1980 and 2003, when the changes in personal income tax rates are analyzed, it is observed that there has been a decrease in these tax rates in most OECD and EU countries. It is noteworthy that the average personal income tax rate in OECD countries decreased by 23 points from 67% in 1980 to 44% in 2003 (Kovancılar, Miynat & Bursalıoğlu, 2007: 51).

Between 2003 and 2018, the personal income tax rates applied to the top income bracket in some OECD countries have been reduced slightly, while these rates have increased in some OECD countries. In fact, it is noteworthy that the personal income tax rates applied to the top income bracket in OECD countries followed a fluctuating course during the period in question. In fact, the OECD average also followed a fluctuating trend between 39% and 43.6% during this period (Tax Policy Center, 2024).

While Hungary applied a 40% rate to the top income bracket in 2003, this rate was 32% in 2010, 16% in 2011 and 15% in 2016. In 2024, Hungary (15%), Estonia (20%), Czechia (23%), Slovak Republic (25%) and Costa Rica (25%) have the lowest personal income tax rates among OECD countries. With the exception of these five countries, all other OECD countries applied personal income tax rates of more than 30%. In 2024, Japan (55.9%), Denmark (55.9%), France (55.4%) and Austria (55.0%) have personal income tax rates exceeding 55% for the top income bracket among OECD countries (See Table 4).

To summarize, corporate tax rates have declined continuously on a global basis over the last 44 years. Since 1980, the average statutory corporate tax rate has declined in every region. In 1980, the world's average statutory corporate tax rate was 40.18%, which declined to 23.51% in 2024. However, after decades of steady decline, corporate tax rates have stabilized in recent years. For 2024, Asia (19.74%) and Europe (20.18%) have the lowest average statutory corporate tax rates of all regions in the world. South America (28.38%) and Africa (27.28%) have the highest average rates. Today, most countries have a corporate tax rate below 30% (Enache, 2024).

Criteria Determining Harmful Tax Competition

The concept of harmful tax competition is under serious scrutiny in organizations such as the OECD and the EU. It is very difficult to find a single and objective criterion for determining whether a tax measure is harmful or not. In some studies of the OECD, various criteria for harmful tax competition have been put forward. The criteria used to define unfair tax competition are outlined below (Öncel & Öncel, 2004: 10-12):

- Establishing a zero tax or very low rate preferential tax regime
- Implementing a discriminatory tax regime specific to foreign capital and investments and outside the general tax system
- Implementing a closed (or ring-fenced) regime
- Creating a gap in international information exchange
- Taking artificial measures in determining the tax base

The OECD has emphasized that low or no-income taxation alone is not sufficient to create harmful tax competition. As listed above, harmful tax competition occurs when low or zero taxation is combined with practices such as special free zone systems closed to residents, lack of transparency and information exchange regarding regulations and administrative rules (Çalıcıoğlu, 2003: 11). Countries that apply at least two of these criteria are considered to be in harmful tax competition (Öncel & Öncel, 2004: 22).

Harmful Tax Competition Practices

Harmful tax competition practices are analyzed under two sub-headings: *tax havens* and *preferential tax regimes* within the framework set by the OECD:

Tax Havens

Within the framework of tax competition among the countries of the world, the most extreme dimension of this downward trend in corporate tax rates has been realized by some countries, which are also called *tax havens*. While many countries struggling to attract international investments to their own countries have reduced their corporate tax rates, countries called tax havens have reduced their corporate tax rates to zero and offered the most attractive investment opportunity to international investors from a tax perspective (Susam & Oktayer, 2012: 178).

Most of the tax havens located in different parts of the world are countries that are not suitable to be industrial countries due to their small geographical area and scarce natural resources. Therefore, since they cannot encourage physical investments, they try to become centers of attraction in terms of financial services and portfolio investments and aim to reduce the tax burden of individuals and institutions by providing banking, accounting, legal services and various infrastructure services (Öz, 2013: 159).

In order for a country to be considered a tax haven, that country must have adopted a very low taxation rate or generally no taxation at all in relation to the specified activities in order to attract more foreign capital, financial institutions and other service sectors to the country (Öncel & Öncel, 2004: 14). In the OECD's report titled "Harmful Tax Competition - An Emerging Global Issue" published in 1998, tax havens are defined as systems that offer special and discriminatory tax regulations and financial secrecy to non-resident capital in order for it to escape tax responsibilities in the countries where it is resident (Çalıcıoğlu, 2003: 10-11).

Tax havens, whose aim is to attract foreign capital to their countries, succeed in attracting capital and investments from other countries and especially from international financial markets thanks to the tax and non-tax advantages they provide. These countries, directly or indirectly, create harmful tax competition as they pave the way for tax bases originating from other countries to be formed in their own countries (Öncel & Öncel, 2004: 15).

The four main characteristics that define tax havens are as follows (Giray, 2003: 131):

- Legal regulations in tax haven countries prevent effective information exchange (sharing). In other words, they apply strict secrecy rules against other countries' tax administrations.
- Lack of transparency regarding tax legislation, tax jurisdiction and tax administration.
- Although the income-generating activities do not take place in these countries, the obligors direct their transactions to these countries only due to tax privileges.
- In particular, no or low rates of tax on transactions by non-residents.

The State of Tax Justice 2020 Report, using data from the OECD showing how much revenue multinational corporations report and how much tax they pay in which country, was published by the Tax Justice Network in November 2020. The report draws attention to the fact that governments lose more than $427 billion in taxes annually due to international tax abuse. Of this $427 billion, about $245 billion is lost to multinational corporations that under-report how much profit they actually make in the countries where they do business and, as a result, shift profits to tax havens to pay less tax than they should. The remaining $182 billion is lost to wealthy individuals who hide their undeclared assets and income beyond the reach of the law. The report also points out that high-income countries lose 382.7 billion dollars in taxes due to international tax abuse, while low-income countries lose 45 billion dollars. However, it is also specifically stated that the tax losses of low-income countries are generally proportionally larger than those of high-income countries compared to the tax revenue they collect (Tax Justice Network, 2020: 4, 12).

The State of Tax Justice 2024 Report states that global revenue losses from cross-border tax abuse amount to $492 billion annually, of which $347.6 billion is due to corporate tax abuse by multinational corporations and $144.8 billion is due to undeclared overseas assets of wealthy individuals. The report argues that global tax abuse harms everyone, and draws attention again to the fact that while high-income countries lose larger sums, the losses of low-income countries account for a larger share of their budgets (Tax Justice Network, 2024: 12-13).

Preferential Tax Regimes

Another harmful tax practice is preferential tax regimes. Preferential tax regimes target factors of production with increased mobility in the globalization process. In order to attract highly mobile capital to their economies, countries implement preferential tax policies by making their tax systems more attractive compared to other countries. However, these preferential tax policies have been heavily criticized because they can erode the tax bases of other countries and negatively affect their tax systems. Preferential tax regimes are used in many countries, whether they are tax havens or not. Countries that apply preferential tax regimes are more advantageous than other countries, but it is also clear that there is unfair competition. This is because preferential tax regimes are considered as harmful tax competition (Çukurçayır, 2015: 54-55).

The main features of preferential tax regimes can be listed as follows (Giray, 2003: 131):

- Zero or very low effective tax burden through the way the tax base is determined.
- Tax incentives only available to foreign investors.
- Lack of transparency in the system.
- Lack of effective information exchange.

The potentially harmful preferential tax regimes in OECD member countries are particularly concentrated in the areas of insurance, finance and banking, even though these are legitimate business activities in their own right (Çalıcıoğlu, 2003: 11).

Preventing Harmful Tax Competition

Both the OECD and the EU are working on solutions to prevent harmful tax competition. The report on harmful tax competition prepared by the OECD Committee on Fiscal Affairs was approved by the OECD Council of Ministers on April 9, 1998. In this report, the necessity to *"develop measures to address the distorting effects of harmful tax competition on investment and financing decisions and its consequences for national tax bases"* was mentioned. The report emphasizes the identification of harmful preferential tax regimes and tax havens and the presentation of possible solutions to combat them (Çalıcıoğlu, 2003: 9-10).

The report envisages "uniform" taxation across OECD countries. For example, if a country allows cost cutting and does not tax some incomes, it will be considered "harmful". The report also emphasizes the need to limit the activities of tax haven countries that encourage harmful tax competition. It is recommended that existing agreements with tax havens should be abolished and that no future agreements should be concluded with these countries. In addition, in the OECD report titled "Global Tax Cooperation and Developments" published in 2000, there are a number of sanctions decisions taken by the OECD to prevent harmful tax competition (Giray, 2003: 131, 135).

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The EU's efforts to combat harmful tax competition are mainly focused on tax harmonization. During the enlargement process of the EU, the importance of tax systems and policies within the EU has increased even more in parallel with this process. Therefore, tax harmonization policies have started to be implemented in order to eliminate the differences in the tax systems of the new EU member states. In EU member states, studies on harmful tax competition mainly focus on corporate tax. The Ruding Committee Report, The Monti Memorandum Commission Report and Code of Conduct are some of the various studies conducted in the EU to combat harmful tax competition (Çukurçayır, 2015: 57-59).

As a result, various efforts have been made by the EU and the OECD to prevent harmful tax competition. The reports issued by the OECD emphasized the necessity of applying a uniform tax across OECD countries. In addition, some sanction decisions have been taken to prevent harmful tax competition.

In other words, in order to prevent harmful tax competition today, it is of great importance for all countries to harmonize their tax systems and for countries to cooperate more intensively and more comprehensively internationally on the tax policies they pursue (Akkaya, 2003: 24).

Harmonization of the tax systems of countries can ensure the efficient distribution of factors of production on a world scale. Because, as a result of the harmonization of tax systems, the impact of taxes on the location decisions of factors of production will be minimized, and thus these factors can be used where they are most efficient (Bakkal, 2003: 93).

However, in order to achieve a comprehensive tax harmonization, all countries should seriously cooperate on this issue. However, countries that have an advantage over other countries in terms of tax competition, in other words, countries that benefit from tax competition, are reluctant to cooperate for tax harmonization in areas where they have an advantage (Akkaya, 2003: 24).

In 2013, the Action Plan on Base Erosion and Profit Shifting (BEPS) was established upon the call of G20 countries. In 2019, within the scope of BEPS, studies were initiated to ensure that multinational corporations pay taxes in the country where they are physically located as well as in the country where they earn income and to apply a global minimum corporate tax. As a matter of fact, in December 2021, the OECD reported that 137 countries signed the "Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy". In the BEPS 2.0 Reform Package, Pillar 1 focuses on the reallocation of taxation rights and includes the taxation of a portion of the income earned by companies with a global turnover exceeding €20 billion in a period and a profit margin above 10 percent in the country where the income is actually earned. Pillar 2 relates to the minimum level of taxation of the profits of multinational corporations and aims to limit tax competition on corporate income through the implementation of a global minimum corporate tax rate that countries can use to protect their tax base. Indeed, in this framework agreement signed by 137 countries, it is stated that the global corporate tax rate should be at least 15%. Pillar 2 mainly affects multinational corporations with an annual turnover of more than €750 million and aims to ensure that these companies are taxed at least 15% in each country in which they operate (İçmen, 2022: 13-16, 19).

It is also noteworthy that this 15% rate is considerably lower than the average corporate tax rate of 23.85% for OECD countries in 2024. The OECD argues that a 15% global corporate tax rate under Pillar 2 would generate additional global tax revenues of around $150 billion per year. Therefore, the OECD-led global minimum corporate tax is an important global step to prevent tax avoidance by multinational corporations. However, the proposal for a global minimum corporate tax has also been subject to serious criticism in terms of the tax rate and which countries will be granted the right of additional taxation (İçmen, 2022: 16, 19).

Conclusion

In the globalization process, it has become more difficult for tax administrations to tax highly mobile capital and highly skilled labor. Foreign capital investments are of great importance especially for developing countries with low national income levels, lack of savings and investment, and lack of economic stability. Therefore, in order to attract foreign capital to their countries, these countries use various tax measures (tax reductions, investment discounts, tax holidays, etc.). Tax reductions realized within the framework of tax competition are the most prominent form of competition between countries. These countries reduce the rates of taxes on capital in order to attract foreign capital to their countries. Some countries even choose not to seriously address transfer pricing manipulation.

Therefore, while the tax burden on highly mobile capital is reduced, the tax burden on unskilled and semi-skilled labor, which remains within national borders and whose mobility is extremely low compared to capital, is constantly increased. As a matter of fact, this situation is incompatible with the concept of tax justice. As can be seen, tax competition has led to a shift in the tax burden towards labor.

In line with tax competition policies, the decline in the share of direct taxes in total tax revenues has led to a slightly higher burden on indirect taxes. As a result of the increase in the share of indirect taxes in total tax revenues, the tax base has become predominantly consumption-based.

With globalization, fiscal termites that gnaw the tax revenues of countries must be included in the tax net. It is very difficult for nation-states to solve the global tax problems that nation-states face, especially harmful tax competition, on their own. Therefore, if the problems are global, the solutions must also be global. Therefore, a multilateral effort by nation-states is required to solve global tax problems. Important steps are being taken in this direction in the OECD and EU platforms. Tax rate differences between countries can be eliminated through harmonization of tax systems. At this point, efforts to implement a global minimum corporate tax rate are of great importance. In addition, a strong cooperation between tax administrations and a transparent exchange of information can prevent the erosion of tax bases to a certain extent.

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Table 1. ***Multinational Corporations with the Highest Revenues in 2024***

Rank	Name	Sector	Revenues (US $ Million)	Profits (US $ Million)
1	Walmart	Retailing	$648,125	$15,511
2	Amazon	Retailing	$574,785	$30,425
3	State Grid	Energy	$545,947.5	$9,204.3
4	Saudi Aramco	Energy	$494,890.1	$120,699.3
5	Sinopec Group	Energy	$429,699.7	$9,393.4
6	China National Petroleum	Energy	$421,713.6	$21,294.7
7	Apple	Technology	$383,285	$96,995
8	United Health Group	Health Care	$371,622	$22,381
9	Berkshire Hathaway	Financials	$364,482	$96,223
10	CVS Health	Health Care	$357,776	$8,344
11	Volkswagen	Motor Vehicles & Parts	$348,408.1	$17,944.5
12	Exxon Mobil	Energy	$344,582	$36,010
13	Shell	Energy	$323,183	$19,359
14	China State Construction Engineering	Engineering & Construction	$320,430.5	$4,371.5
15	Toyota Motor	Motor Vehicles & Parts	$312,018.2	$34,214.4

Source: Fortune (2025). *Fortune Global 500*. Access address: https://fortune.com/ranking/global500/. February 12, 2025.

Table 2. ***OECD Countries: Statutory Corporate Income Tax Rates* (1981-2024)-(%)***

Country	1981	1985	1990	1995	2000	2005	2010	2015	2020	2023	2024	Difference (1981-2024)
Australia	46	46	39	36	34	30	30	30	30	30	30	-16
Austria	55	55	30	34	34	25	25	25	25	24	23	-32
Belgium	48	45	41	40,2	40,2	34	34	34	25	25	25	-23
Canada	50,9	49,4	41,5	44,6	42,4	34,2	29,5	26,4	26,3	26,1	26,1	-24,8
Chile	48,6	23,5	32,5	35	15	17	17	22,5	25	27	27	-21,6
Colombia	40	40	30	30	35	35	33	25	32	35	35	-5
Costa Rica	45	50	30	30	30	30	30	30	30	30	30	-15
Czechia	NA	NA	NA	41	31	26	19	19	19	19	21	-20
Denmark	40	50	40	34	32	28	25	23,5	22	22	22	-18
Estonia	NA	NA	NA	26	26	24	21	20	20	20	20	-6
Finland	61,5	61,8	44,5	25	29	26	26	20	20	20	20	-41,5
France	50	50	42	36,7	37,8	35	34,4	38	32	25,8	25,8	-24,2
Germany	60	60	54,5	55,1	52	38,9	30,2	30,2	29,9	29,9	29,9	-30,1
Greece	45	49	46	35	40	32	24	29	24	22	22	-23
Hungary	NA	NA	40	18	18	16	19	19	9	9	9	-31
Iceland	NA	NA	NA	33	30	18	18	20	20	20	21	-12
Ireland	45	50	43	38	24	12,5	12,5	12,5	12,5	12,5	12,5	-32,5
Israel	NA	NA	NA	37	36	34	25	26,5	23	23	23	-14
Italy	36,3	46,4	46,4	53,2	41,3	37,3	31,4	31,3	27,8	27,8	27,8	-8,5
Japan	NA	NA	50	50	40,9	39,5	39,5	32,1	29,7	29,7	29,7	-20,3
Republic of Korea	NA	NA	NA	NA	30,8	27,5	24,2	24,2	27,5	26,4	26,4	-4,4
Latvia	NA	NA	NA	25	25	15	15	15	20	20	20	-5
Lithuania	NA	NA	NA	29	29	15	15	15	15	15	15	-14
Luxem-bourg	NA	NA	NA	40,3	37,5	30,4	28,6	29,2	24,9	24,9	24,9	-15,4
Mexico	42	42	36	34	35	30	30	30	30	30	30	-12
Nether-lands	48	43	35	35	35	31,5	25,5	25	25	25,8	25,8	-22,2
New Zealand	45	45	33	33	33	33	30	28	28	28	28	-17
Norway	50,8	50,8	50,8	28	28	28	28	27	22	22	22	-28,8

Poland	NA	NA	NA	40	30	19	19	19	19	19	19	-21
Portugal	49	55,1	40,2	39,6	35,2	27,5	26,5	29,5	31,5	31,5	31,5	-17,5
Slovak Republic	NA	NA	NA	40	29	19	19	22	21	21	21	-19
Slovenia	NA	NA	NA	NA	25	25	20	17	19	19	22	-3
Spain	33	35	35	35	35	35	30	28	25	25	25	-8
Sweden	57,8	56,6	53	28	28	28	26,3	22	21,4	20,6	20,6	-37,2
Switzer-land	33	31,9	30,6	28,5	24,9	21,3	21,2	21,2	21,2	19,7	19,6	-13,4
Türkiye	50	40	46	25	33	30	20	20	22	25	25	-25
United Kingdom	52	40	34	33	30	30	28	20	19	25	25	-27
United States of America	49,7	49,8	38,7	39,6	39,3	39,3	39,2	39	25,8	25,8	25,6	-24,1

Source: Enache, C. (2024). Corporate Tax Rates Around the World, 2024. *Tax Foundation*. Access address: https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2024/. December 28, 2024.

*The rates in Table 2 show the sum of taxes imposed by both authorities in countries with separate taxation by central and local authorities.

Table 3. ***Balkan Countries: Statutory Corporate Income Tax Rates (2000-2024)-(%)***

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Difference (2000-2024)
Albania	30	25	25	25	25	23	20	20	10	10	10	10	10	10	15	15	15	15	15	15	15	15	15	15	15	**-15**
Bosnia and Herzegovina	30	30	30	30	30	30	30	30	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	**-20**
Bulgaria	25	20	15	23,5	19,5	15	15	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	**-15**
Crotia	35	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	20	18	18	18	18	18	18	18	18	**-17**
Greece	40	37,5	35	35	35	32	29	25	25	25	24	20	20	26	26	29	29	29	29	24	24	22	22	22	22	-18
Republic of Kosovo	x	x	x	x	x	x	x	x	x	x	x	x	x	x	10	10	10	10	10	10	10	10	10	10	10	**0**

Montenegro	20	20	20	20	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	9	15	15	15	**-5**
Republic of North Macedonia	15	15	15	15	15	15	15	12	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	10	**-5**
Romania	25	25	25	25	25	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	16	**-9**
Serbia	20	20	20	14	10	10	10	10	10	10	10	10	10	15	15	15	15	15	15	15	15	15	15	15	15	**-5**
Slovenia	25	25	25	25	25	25	25	23	22	21	20	20	18	17	17	17	17	19	19	19	19	19	19	19	22	**-3**
Balkan Countries Average Corporate Income Tax Rate	26,5	23,8	23	23,3	21,4	19,5	18,9	17,5	14,2	14,1	13,9	13,5	13,3	14,3	14,4	14,6	14,6	14,6	14,6	14,2	14,2	14	14,6	14,6	14,8	

Source: OECD (2025). *OECD Data Explorer: Corporate Income Tax Statutory and Targeted Small Business Rates*. Access address: https://data-explorer.oecd.org/. March 6, 2025.

Table 4. ***OECD Countries: Top Statutory Personal Income Tax Rates* (2003-2024)-(%)***

Country	2003	2010	2015	2020	2022	2024
Australia	48,5	46,5	49,0	47,0	47,0	47,0
Austria	43,7	43,7	50,0	55,0	55,0	55,0
Belgium	53,5	53,7	53,8	52,9	52,9	52,9
Canada	46,4	46,4	49,5	53,5	53,5	53,5
Chile	40,0	40,0	40,0	35,0	40,0	40,0
Colombia	35,0	33,0	33,0	39,0	39,0	39,0
Costa Rica	15,0	15,0	15,0	25,0	25,0	25,0
Czechia	32,0	15,0	15,0	15,0	23,0	23,0
Denmark	59,0	55,4	55,8	55,9	55,9	55,9
Estonia	26,0	21,0	20,0	20,0	20,0	20,0
Finland	53,0	49,0	51,6	51,2	51,3	51,5
France	53,4	46,7	54,5	55,4	55,4	55,4

Germany	51,2	47,5	47,5	47,5	47,5	47,5
Greece	40,0	45,0	50,0	54,0	44,0	44,0
Hungary	40,0	32,0	16,0	15,0	15,0	15,0
Iceland	43,6	46,1	46,2	46,2	46,3	46,3
Ireland	44,0	52,0	48,0	48,0	48,0	48,0
Israel	50,0	45,0	50,0	50,0	50,0	50,0
Italy	46,1	45,2	48,8	47,2	47,2	47,2
Japan	50,0	50,0	55,9	55,9	55,9	55,9
Korea	39,6	38,5	41,8	46,2	49,5	49,5
Latvia	25,0	26,0	23,0	31,6	31,2	31,2
Lithuania	33,0	15,0	15,0	32,0	32,0	32,0
Luxembourg	39,0	39,0	43,6	45,8	45,8	45,8
Mexico	34,0	30,0	35,0	35,0	35,0	35,0
Netherlands	52,0	52,0	52,0	49,5	49,5	49,5
New Zealand	39,0	35,5	33,0	33,0	39,0	39,0
Norway	47,5	40,0	39,0	38,2	39,4	39,6
Poland	40,0	32,0	32,0	32,0	32,0	32,0
Portugal	40,0	45,9	56,5	53,0	53,0	53,0
Slovak Republic	38,0	19,0	25,0	25,0	25,0	25,0
Slovenia	50,0	41,0	50,0	50,0	45,0	50,0
Spain	45,0	43,0	45,0	43,5	45,0	45,0
Sweden	56,2	56,6	57,0	52,3	52,2	52,4
Switzerland	42,1	41,7	41,7	41,7	41,5	41,4
Türkiye	40,6	35,7	35,8	40,8	40,8	40,8
United Kingdom	40,0	50,0	45,0	45,0	45,0	45,0
United States	41,6	41,9	46,3	43,7	43,7	43,7

Source: OECD (2025). *OECD Data Explorer: Top Statutory Personal Income Tax Rates*. Access address: https://data-explorer.oecd.org/. March 8, 2025.

*Rates applied to the top income bracket.