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PRELIMINARY REPORT

Corporate Taxation and Subsidy Distortions as Barriers to Private Domestic Investment in Serbia

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ABSTRACT

This paper examines the structural barriers to private domestic investments in Serbia, with a particular focus on the role of corporate taxation and subsidy policy. The analysis combines descriptive empirical data, comparative legal assessment, and institutional diagnostics to explore why domestic investments have remained persistently low relative to both foreign direct investments and levels observed in comparable EU economies. Using Eurostat and World Bank data for the period 2013–2022, the paper documents that total investment growth in Serbia has been primarily driven by rising FDI inflows and increased public investments, while domestic private investments have remained weak. Despite a relatively high fiscal effort devoted to investment incentives, including both tax-based instruments and direct subsidies, the design and allocation of these measures appear to disproportionately benefit large investors – most often foreign. The paper contextualises Serbia's statutory and effective corporate tax rates within EU norms and identifies significant structural asymmetries in incentive accessibility between firms of different sizes. It also develops a classification of corporate tax incentive regimes in selected EU member states and Serbia, based on the structure and conditions of tax-based investment support, which is used to assess Serbia's position relative to prevailing EU practices in the design of fiscal incentives. Institutional barriers, including legal uncertainty and administrative inefficiency, further constrain domestic investments. The findings suggest that Serbia's current investment model is unlikely to support sustainable long-term development unless policy is rebalanced to improve the investment climate for domestic firms. The findings inform policy recommendations aimed at rebalancing incentive structures and strengthening institutional and financial conditions for domestic investments.

Keywords: *domestic investments, FDI, investment incentives, corporate taxation*

JEL Classification: E22, H25, H32

INTRODUCTION

Domestic private investments play a critical role in promoting long-term economic development by driving capital accumulation, productivity gains, and employment growth (Ranđelović & Đorđević, 2024; Turan, 2023). Between 2013 and 2022, investment levels in Serbia remained relatively low, consistently below the 25% of GDP threshold typically recommended for sustainable convergence, and lagged behind both New Member States (NMS) and older EU members. In the second half of the observed decade, investment activity began to accelerate, primarily due to the success of foreign direct investment (FDI) attraction strategies and increased

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public infrastructure spending (Marjanović, 2018; Marjanović et al., 2020). In contrast, domestic private investment remained underwhelming (Eurostat, Author's calculations).

While previous research identifies low institutional quality and insufficient domestic savings as major constraints on investment (Arsić et al., 2019; Petrović et al., 2019; Ranđelović & Đorđević, 2024), Serbia's corporate tax regime is generally deemed competitive (Arsić & Ranđelović, 2021; Marjanović, 2018). This paper argues that the observed divergence between FDI and domestic private investment outcomes cannot be explained by general business conditions alone. Rather, it stems from the targeted application of corporate tax incentives and direct subsidies that have disproportionately favoured large and typically foreign investors. In that sense, corporate taxation incentives in Serbia seem to be an outlier in the context of EU countries. Furthermore, empirical evidence indicates that institutional deficiencies, particularly in legal enforcement and corruption, affect FDI to a much lesser degree (Branković et al., 2024), suggesting that FDI may be relatively insulated from such constraints. Although FDI inflows have contributed positively to Serbia's macroeconomic performance, evidence of strong positive spillovers remains limited. In light of mounting labour market pressures, there is also a need to reconsider the potential crowding-out effects of FDI on domestic capital formation.

Methodologically, the paper combines a structured literature review with a descriptive institutional and fiscal analysis of investment policy in Serbia between 2013 and 2022. It incorporates available investment data disaggregated by ownership structure and policy instrument (tax, subsidies) to assess whether existing incentive regimes disproportionately favour large (foreign) investors. In addition, it provides a qualitative assessment of regulatory asymmetries and institutional conditions that may shape divergent investment responses between domestic and foreign firms.

THEORETICAL BACKGROUND AND LITERATURE REVIEW

Investment theories offer various explanations for firm behaviour, reflecting differences in how capital costs, expectations, and external conditions are interpreted. Keynesian theory links investment to expectations of future returns, shaped by uncertainty rather than savings. Accelerator models posit that firms invest in response to output changes, although rigid adjustment assumptions limit their realism. Tobin's Q connects investment to the ratio of market to replacement value of capital, while financial liberalisation models, such as McKinnon-Shaw, argue that deep financial markets and higher real interest rates encourage investment by expanding available capital. More recent approaches incorporate irreversibility and risk, suggesting that uncertainty can delay investment until greater clarity is achieved.

Among these frameworks, the neoclassical theory of investment (Jorgenson, 1971) remains the most widely tested and empirically supported (Arsić et al., 2019). It explains investment as a function of output and the user cost of capital, which reflects interest rates, taxation, depreciation, and risk. For Serbia, Arsić et al. (2019) propose an adjusted version of this model to better capture the role of subsidies, tax incentives, and institutional uncertainty:

$$C = \frac{(r+\delta)(1-k-s)}{(1-t)(1-\theta)}\gamma \qquad (1)$$

In this formula, the user cost of capital (C) directly depends on the interest rate (r) and the depreciation rate (δ), both of which increase costs as they rise. Similarly, the corporate income tax rate (t) and the dividend tax rate (θ) exert upward pressure on the cost of capital. Conversely, tax incentives per unit of investment (k) and granted subsidies (s) reduce the overall cost. However, risks and uncertainties (γ) associated with the market and business environment increase the user cost of capital, reflecting the broader macroeconomic and institutional conditions in which firms operate.

The neoclassical model implies that investment can be stimulated by reducing its cost, including through tax instruments (t, θ and k from Eq. 1). Tax incentives, such as reduced corporate income tax (CIT) rates, tax holidays, and import duty exemptions, are intended to lower the user cost of capital and alleviate liquidity constraints, especially for larger, capital-intensive projects (James, 2013). These measures are particularly relevant in attracting mobile investors and export-oriented investments, which tend to be more sensitive to variations in effective tax rates (Grubert & Mutti, 2000; James, 2013).

Empirical studies consistently support the sensitivity of investment to the effective average tax rate (EATR). Bellak and Leibrecht (2006) find that a 1-percentage-point reduction in the EATR across Central and Eastern Europe was associated with a 4.4% increase in FDI inflows. Devereux (2006) stresses that EATRs influence discrete location choices, while statutory rates mostly affect profit-shifting behaviour. Djankov et al. (2010), using cross-country data on EATRs, find a significant negative relationship between corporate tax rates and both aggregate investment and entrepreneurial activity. The adverse impact was especially strong in the manufacturing sector and among firms with fewer financing alternatives, suggesting that tax structures can shape not only investment levels but also the sectoral allocation of capital.

Evidence from Serbia further corroborates the importance of tax incentives in shaping FDI behaviour. Marjanović et al. (2020) and Marjanović (2018) report that tax reliefs—particularly in the form of CIT incentives for exporters, employment-based deductions, and free-zone benefits—are considered decisive by both medium-scale and large investors. Their surveys find that investors who committed over 100 million euros to Serbia place the highest value on employment-related tax incentives. These findings are consistent with the notion that tax preferences, if well-targeted, can reinforce investor commitments in key sectors. However, literature also stresses the risk of redundancy. James (2013) finds that in a wide range of developing countries, over 70% of investment projects receiving incentives would have proceeded even in their absence, raising questions about the opportunity cost of foregone revenue.

Empirical literature generally supports the view that subsidies can positively influence investment volumes by reducing the cost of capital (s from Eq. 1) and addressing liquidity constraints. Kállay and Takács (2023) found that subsidies directly increase firm-level profits through income transfers. Chinetti (2023) shows that innovation spending tends to rise among subsidy recipients, especially in medium-to-large enterprises in traditional sectors, though the evidence on long-term productivity gains remains limited. Nonetheless, two important caveats should be noted. First, subsidies, whether in the form of direct grants or foregone tax revenue, carry an opportunity cost and may distort resource allocation by placing certain firms in an advantageous position relative to others. Second, in settings marked by weak institutional quality, subsidies are often deployed to offset investment risks, but their actual effectiveness in stimulating investment is uncertain. James (2013) warns that incentives used as a substitute for reliable institutions may fail to generate new investment, particularly in resource-based or protected sectors. Similarly, Owens (2005) emphasises that transparent and predictable regulatory frameworks often matter more than tax and subsidy incentives themselves. In the context of South-Eastern Europe, improvements in governance and legal predictability have had a stronger effect on perceived investment attractiveness than fiscal incentives alone.

Although not explicitly included in the neoclassical investment model, institutional quality significantly shapes investment outcomes by influencing the predictability, transparency and enforceability of economic rules. A stable and credible institutional environment reduces transaction costs, enhances investor confidence and increases the effectiveness of policy instruments such as tax incentives and subsidies. Jovanović et al. (2023) find that governance indicators such as regulatory quality and corruption perception do not significantly affect FDI inflows, suggesting that foreign investors are relatively insulated from these constraints. Similarly, Marjanović et al. (2024) report that legal security and enforcement are important for

foreign investors, but the degree of sensitivity varies across investor type and project size. Branković and Sarajčić (2024) further show that, in Serbia, there is no long-run causal relationship between regulatory quality and greenfield investment, indicating a limited role for institutional improvement in shaping FDI behaviour. However, regulatory quality is found to contribute positively to economic growth in the long run. In slight contrast, Minović et al. (2020), using panel data for the Western Balkans, identify a one-way causal relationship from political stability and rule of law to FDI inflows, suggesting that institutional quality can play a more direct role in attracting investment under certain conditions.

Two additional factors not captured in the neoclassical model, which assumes perfect capital mobility and market efficiency, are domestic savings and access to finance. A positive relationship between savings and investment is a core principle of economic theory (Solow, 1956; Feldstein & Horioka, 1980). However, the presence of savings alone does not guarantee increased investment, as access to finance remains one of the main challenges, particularly for smaller companies, which often face higher borrowing costs, limited collateral options, and restricted access to external funding (Ofosu-Mensah Ababio et al., 2022; Sahahe Emran et al., 2007). Recent findings suggest that in lower institutional quality settings, real interest rates may still influence investment, but the effects are unstable and context-dependent (Bucevska & Merdzan, 2024). This highlights the importance of both adequate savings and effective financial systems for translating available capital into productive investment.

Foreign direct investment can affect domestic investment through both positive spillovers[1] and crowding-out effects. Inflows of foreign capital are often seen as a key channel for introducing new technologies, managerial practices and access to global markets, which can enhance domestic productivity and encourage local firms to upgrade. Such positive effects are typically observed when foreign firms develop linkages with local suppliers or stimulate competitive pressure. Pilbeam and Oboleviciute (2012) find a strong crowd-in effect of FDI in the EU12 countries, where foreign investment contributed to the growth of domestic investment by boosting technological diffusion and encouraging modernisation. In contrast, they observe a crowding-out effect in older EU member states, where foreign firms displaced domestic ones by exploiting superior resources and market access. Similarly, Jude (2019) finds that greenfield FDI in transition countries may initially crowd out[2] less efficient domestic firms but can later generate crowd-in effects as foreign affiliates integrate more deeply into local economies.

These effects are highly context-dependent and often shaped by institutional quality and sectoral patterns. In settings with weaker regulatory environments or where foreign investment is concentrated in sectors already occupied by local firms, negative effects are more likely. Kandilarov (2019) and Musabelliu (2019) illustrate that poor institutional conditions in Bulgaria and Albania have limited the potential of FDI to stimulate domestic investment, while simultaneously raising competitive pressures on local firms. The sectoral structure of FDI also matters. De Backer and Sleuwaegen (2003) and Farla et al. (2016) stress that high-tech investments are more likely to yield spillovers through knowledge transfers and joint ventures. Conversely, when FDI competes directly with domestic enterprises in saturated markets, the risk of crowding-out increases. Mišun and Tomšk (2002) report that Hungary and the Czech Republic experienced net benefits from FDI, whereas Poland observed the displacement of local investment. Agosin and Machado (2005) conclude that the developmental impact of FDI is strongest when it targets underdeveloped sectors and avoids overlapping with domestic production. Wooster and Diebel (2006) find that crowding-out is particularly pronounced in capital-intensive industries, where the entry of foreign firms often forces domestic rivals to exit.

[1] Indirect benefits or costs that investment activity in one firm or sector generates for others, often through knowledge transfer, supply chain linkages, or labor mobility.

[2] A situation where increased investment or activity by one group (e.g., foreign investors) displaces or limits the capacity of another group (e.g., domestic firms) to invest, often due to resource competition or market saturation.

These findings suggest that both the origin and sectoral orientation of FDI, alongside institutional capacity, are central to determining its impact on local investment dynamics.

METHODOLOGICAL APPROACH AND SCOPE

This paper combines elements of comparative institutional analysis, fiscal policy assessment, and descriptive empirical analysis based on official macroeconomic data. It draws on multiple data sources to examine the structure of investment and incentive regimes in Serbia and selected EU member states, with a focus on the period from 2013 to 2022. In particular, the paper aims to assess the extent to which the current design of Serbia's corporate taxation and subsidy system diverges from the evolving corporate taxation frameworks observed across EU member states.

Investment structure is analysed using Eurostat data on gross fixed capital formation by institutional sector. Domestic private investment is not reported as a separate category and is therefore derived as the difference between total private investment and net foreign direct investment inflows. FDI data are taken from the World Bank (FDI Net Inflows, balance of payments). Corporate tax data include statutory corporate income tax (CIT) and withholding tax (WTR) rates, sourced from the European Commission's Taxes in Europe Database v4, and supplemented by estimates of forward-looking effective average tax rates (EATR) for selected countries. Comparative data on direct subsidies and state aid are compiled from the European Commission's State Aid Scoreboard, as well as annual reports of the Commission for State Aid Control of Serbia. The legal and policy frameworks governing investment incentives in Serbia are analysed based on primary legislation and regulations. The comparative legal framework for EU member states is based on information from the Taxes in Europe Database v4 (last accessed on 10th December 2024) and country-specific corporate taxation profiles published by PricewaterhouseCoopers (PwC), last accessed on the same date. Based on these data, a typology of corporate tax incentive regimes was developed for selected EU member states and Serbia, reflecting the nature and structure of tax-based investment incentives. The classification relies on three main criteria: (1) the availability of investment-related corporate tax incentives; (2) the existence and magnitude of investment size thresholds for eligibility; and (3) whether the relative generosity of incentives progresses or regresses with increasing investment size.

Although the analysis does not employ econometric techniques or claim direct causal identification, this is consistent with the objective of the paper, which is to examine structural patterns in Serbia's investment environment through legal, fiscal, and institutional analysis. The approach is grounded in descriptive data and comparative policy frameworks, aiming to identify distortions[3] and asymmetries that influence domestic private investment. While cross-country comparisons are used to contextualise Serbia's incentive regime, they are illustrative rather than explanatory and do not control for macroeconomic or legal heterogeneity. The focus is limited to Serbia and selected EU member states, and the conclusions are intended to provide additional perspectives on investment policy, particularly in transition economies.

STYLISED FACTS AND DISCUSSION

The analysis is structured in four stages. First, trends in investment activity in Serbia are examined using disaggregated Eurostat data on public, domestic private, and foreign direct investment flows. These trends serve to establish the empirical context and to identify structural features of Serbia's investment environment. For analytical clarity, *foreign direct investment* and *large-scale investment* are treated as broadly overlapping categories, as are *domestic private investment* and *SMEs*. While this simplification does not fully capture the diversity of firms, it reflects the prevailing segmentation in Serbia's investment structure and informs the subsequent

[3] Deviations from efficient market outcomes caused by policy interventions, such as subsidies or tax incentives, which alter the allocation of resources or competition conditions.

discussion. Second, Serbia's corporate income tax regime is assessed. This includes a comparison of statutory and effective tax rates with those of selected EU member states, in order to position Serbia within the broader fiscal environment. Based on these data, a typology of corporate tax incentive regimes is developed for selected EU member states and Serbia, reflecting the nature and structure of tax-based investment incentives. The structure of Serbia's tax incentives is then analysed, with particular attention to differences in accessibility across firm size and type, and compared to mechanisms in place within the EU. Third, the composition and allocation of direct subsidies are analysed using state aid data, in order to evaluate their contribution to market distortions and asymmetric investment incentives. Finally, broader explanatory factors are considered that may account for the observed patterns of low domestic private investment, including institutional quality, domestic savings, access to finance, and potential crowding-out effects of foreign direct investment.

(a) Investment dynamics in Serbia

Over the past decade (2013–2022), investment in Serbia has consistently remained below levels typically associated with sustainable long-term growth. Total investment was under the 25% of GDP threshold commonly cited in development literature as necessary for convergence (World Bank, 2019), and lagged behind both the new EU member states (NMS)[4] and older EU members (Figure 1, left). This persistent underperformance has been linked in the literature to structural and institutional weaknesses that constrain productive investment (Medić et al., 2024; Petrović et al., 2019).

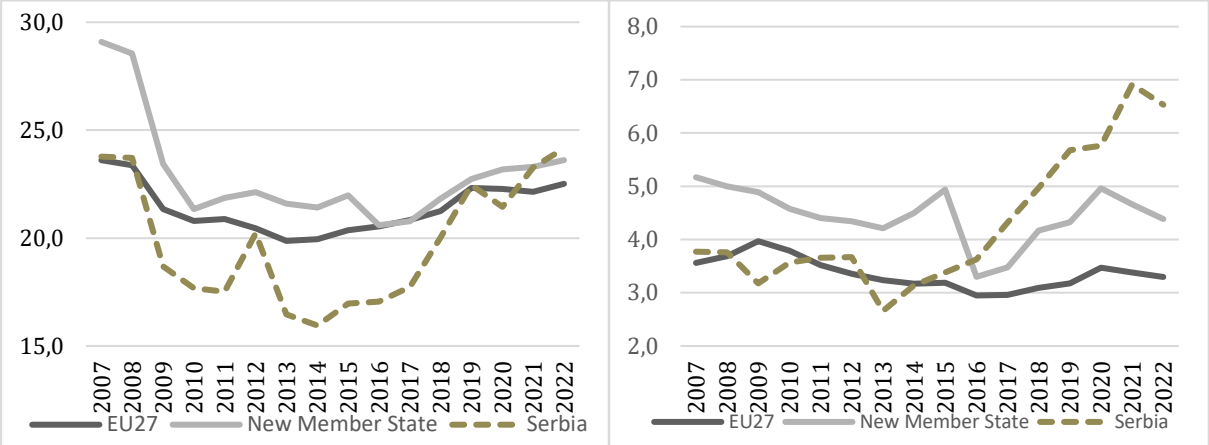

Figure 1. Total investments (left) and public investments (right) in %GDP

Source: Eurostat (Investments by institutional sectors), Author's calculations

The composition of investment over this period reveals additional structural concerns. Public investment in Serbia remained considerably below the NMS average until 2016, but subsequently accelerated, surpassing 6% in the 2021-2022 subperiod – well above both comparator groups (Figure 1, right). By contrast, total investment only modestly increased, suggesting that much of the observed growth was public-sector driven, with private investment contributing less to the overall rise.

The composition of investment offers a more differentiated picture. After prolonged stagnation in the first half of the decade, total investment began to rise around 2015, driven initially by a recovery in FDI and, from 2018 onward, by a marked increase in public investment (Figure 1,

[4] New EU member states (NMS) refer to the countries that joined the European Union during the enlargement waves of 2004, 2007, and 2013, namely: Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovakia, and Slovenia (2004); Bulgaria and Romania (2007); and Croatia (2013).

right; Figure 2, left). Public investment in Serbia eventually surpassed that of the NMS average, peaking at over 6% of GDP in 2021 and 2022 (Figure 1, right). FDI inflows also remained comparatively strong, often exceeding the NMS average after 2015.

By contrast, domestic private investment exhibited a weaker trajectory. It remained subdued throughout the period, with limited responsiveness to the overall increase in total investment. It consistently fell below the levels observed in comparable countries such as the Czech Republic, Romania, Lithuania, and Poland, measured as a share of GDP (Figure 2, right). A modest uptick is visible in the final two years of the series, which may reflect both Serbia's relatively muted economic contraction during the COVID-19 crisis and the effect of temporary support measures. These measures were predominantly and appropriately directed at SMEs, and included tax deferrals, grants in the form of minimum wages, and favourable lending schemes aimed at addressing illiquidity (Lazarević-Moravčević & Kamenković, 2021). However, even in 2022, Serbia remained in the lower tier of NMS in terms of domestic private capital formation.

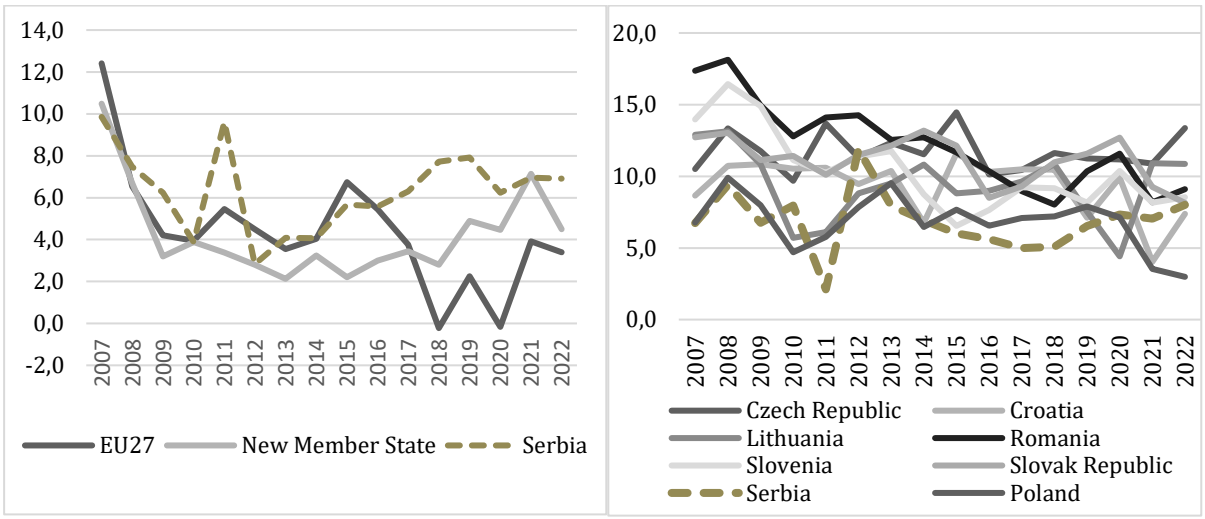

Figure 2. FDI net inflows (left) and domestic private investments (right) in %GDP

Source: Eurostat (Investments by institutional sectors), FDI (World Bank, FDI Net Inflows); Author's calculations

This composition suggests a structural imbalance in Serbia's investment recovery. The growth in total investment was not underpinned by a broad-based expansion of domestic private capital, but rather by inflows of foreign capital and public sector spending. While the role of foreign capital is significant, it cannot support long-term development if domestic (and public) investment is insufficient or misallocated (Marjanović et al., 2021). The observed asymmetry raises questions about the allocation and effectiveness of investment incentives and the broader enabling environment for domestic enterprise investment.

The overall lack of domestic investment potential in the early 2010s must be acknowledged. As in other Western Balkan countries, Serbia increasingly relied on foreign capital to compensate for limited domestic investment capacity (Marjanović et al., 2020). In this context, investment incentives became a central tool of economic policy. Between 2014 and 2022, Serbia allocated an average of 1.32% of GDP to subsidies, compared to 0.79% in NMS and 0.39% in older EU member states (Figure 3). Direct subsidies accounted for 64% of Serbia's total incentive expenditure, with tax incentives making up a further 21%—a distribution broadly consistent with regional practice. Despite this relatively high fiscal effort and success in attracting foreign capital, domestic private investment remained weak, suggesting that the structure or allocation of incentives may not have been well aligned with the specific constraints that the domestic economy faces.

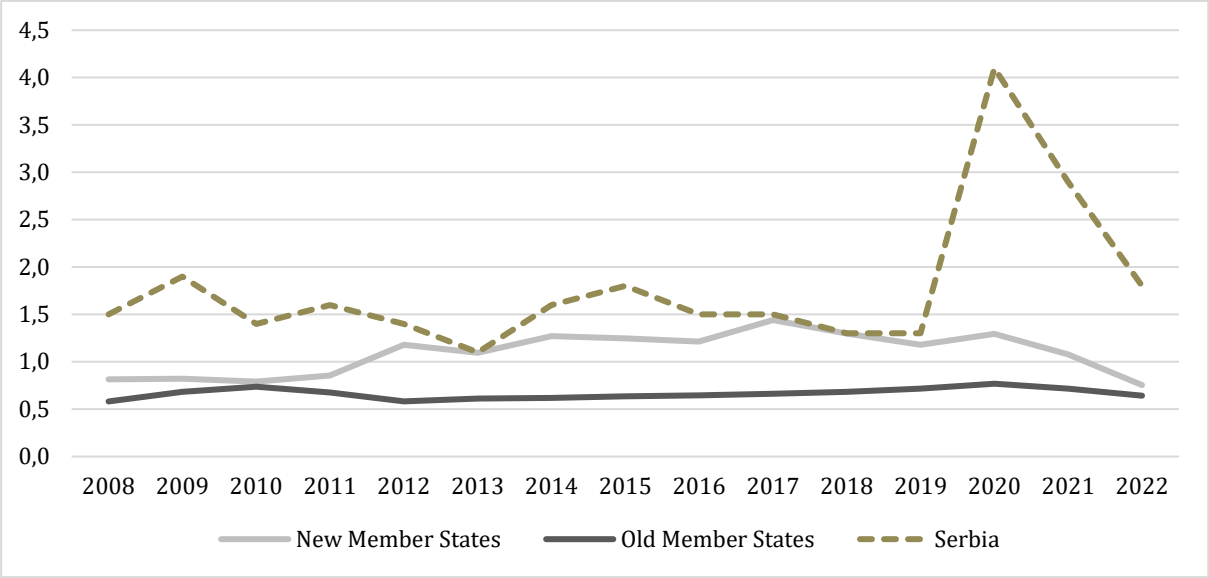

Figure 3. Total state aid (% of GDP)

Source: European Commission, State Aid Scoreboard (European countries); Commission for State Aid Control of Serbia (Serbia); Author's calculations

Several potential explanations emerge, including preferential targeting toward large or foreign investors, limited accessibility for SMEs, and persistent institutional barriers. Domestic private investment in Serbia has long been constrained by factors such as legal uncertainty, unequal market conditions, and inefficiencies in the judiciary and public administration. These structural weaknesses reduce the effectiveness of incentive policies and limit the capacity of local firms to invest, while maintaining a dependence on subsidies to attract foreign capital (Arsić et al. 2019). These stylised facts provide the empirical foundation for the subsequent sections, which examine Serbia's tax and subsidy regime in a comparative context and discuss broader structural constraints on private domestic investment.

(b) Corporate Income Tax and Related Incentives

According to Equation 1 and empirical evidence (Arsić et al., 2019; Marjanović, 2018), higher statutory corporate income tax rates (CIT) and withholding tax rates (WTR) negatively impact investment levels. With a CIT rate of 15% and a WTR of 20%, Serbia maintains some of the lowest rates in Europe (Figure 4), making it difficult to justify the difference between private investment rates in Serbia and the EU. However, statutory rates alone do not provide a complete picture. Instead, Forward-looking Effective Average Tax Rates (EATR) offer a more accurate measure of the effective tax burden on corporate investments, as they incorporate not only statutory rates but also provisions such as capital allowances and tax incentives.[5]

Although EATR is not systematically calculated for Serbia, given the CIT rates and existing tax benefits (to be analysed further below), Serbia's EATR is most likely within the corridor set by Lithuania (12.7%) and Croatia (14.8%). This places Serbia among the most favourable CIT regimes in Europe across all investment types. In other words, corporate taxation in Serbia can be considered largely competitive (Arsić & Ranđelović, 2021; Arsić, 2019; Marjanović, 2018).

[5] Using a microeconomic model of a hypothetical investment, EATR reflects the average tax contribution while accounting for deductions such as interest payments. Typically, countries with tax incentives exhibit EATR below their statutory tax rate, making it a better approximation of the effective tax rate. The concept was developed by Devereux and Griffith (1998) and is widely used to facilitate cross-country tax comparisons (EU Tax Observatory).

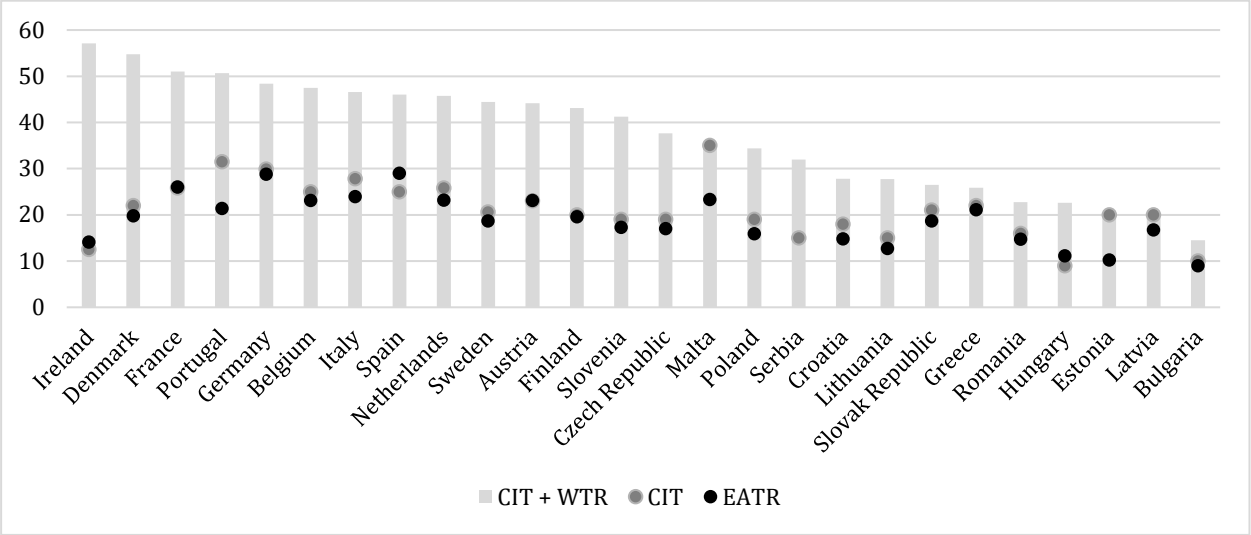

Figure 4. Statutory Corporate tax rates (CIT), statutory tax rates and withholding tax rates combined (CIT + WTR) and Average Tax Rates (EATR)

Source: European Commission, State Aid Scoreboard (European countries); Commission for State Aid Control of Serbia (Serbia); Author's calculations

However, effective tax rates differ significantly between the domestic economy (primarily SMEs) and FDIs due to the structure of fiscal incentives. In the early 2000s, Serbia introduced a series of tax incentives aimed at stimulating investment growth and increasing employment levels. While the emphasis was placed on attracting FDIs, given the scarcity of domestic capital following a decade of sanctions and economic downturns in the 1990s, incentives were formally available to companies of all sizes and origins of capital.

Two notable measures were introduced: (a) the tax holiday for large investments (regulated under Article 50 of the Legal Entity Profit Tax Law) and (b) the tax credit for SMEs (regulated under Article 48 of the same law). (a) The Serbian Tax Holiday provided a 10-year tax exemption for companies investing more than €8 million in fixed assets and employing at least 100 people. The incentive began in the first year the company reported a profit, with the reduction proportional to the size of the investment relative to the company's total fixed assets. This effectively allowed qualifying companies to benefit from significantly lower CIT rates. (b) The Serbian Tax Credit enabled taxpayers investing in real estate, plants, equipment, or biological assets for their primary activity to claim a tax credit of 40–20% of the investment value (higher percentages for smaller companies). However, this credit could not exceed 50–70% of the calculated tax liability in the year of investment (higher percentages for smaller companies). Additionally, any unused portion of the tax credit could be carried forward for up to ten years, offsetting up to 50–70% of the tax liability for each subsequent year (higher percentages for smaller companies). While these corporate income tax rules were not entirely symmetrical, they allowed both SMEs and FDIs to reduce their investment costs.

In 2013, Serbia's corporate taxation framework underwent a major overhaul (Law on Amendments to the Corporate Income Tax Law, 2013). This reform was primarily driven by the need to align Serbia's tax legislation with the EU acquis, particularly in the context of the Stabilisation and Association Agreement (SAA) and the Code of Conduct for Business Taxation (Stojanović & Nikolov, 2019). The emphasis was placed on eliminating fiscal practices deemed harmful to market competition.

In addition to external alignment, the government cited the need to increase public revenues as a key motivation for the reform (Government of Serbia, 2013). The official rationale emphasised that, under a low statutory CIT rate, existing tax credits were unlikely to exert a decisive influence on investment decisions and were instead viewed as a constraint on budgetary income. As a result, the statutory CIT rate was raised from 10% to 15%, and most investment-related tax incentives were abolished. Notably, the tax credit for SMEs (Article 48) was removed, while the tax holiday for large-scale investments remained in place (Article 50). This effectively created an incentive structure skewed in favour of large investors, while removing targeted support mechanisms for smaller domestic firms.

However, the assumption that tax incentives had little influence on investment behaviour is difficult to reconcile with empirical evidence gathered after the reform. Marjanović (2018), based on a post-reform investor survey, found that tax incentives, particularly those linked to corporate income tax, remained a significant determinant of investment decisions, even under the increased 15% rate. This finding is corroborated by Marjanović et al. (2020), who emphasise that foreign investors continued to value targeted incentives such as tax reliefs for exporters, operations in free zones, and employment-related benefits – measures predominantly accessible to large-scale projects.

While large investment projects in Serbia remained shielded by favourable tax treatment, their SME counterparts in the EU experienced a gradual decline in effective tax burdens. Between 2014 and 2022, the Effective Average Tax Rate (EATR) declined by approximately 2.0 percentage points in New Member States (NMS) and by 2.5 percentage points in older EU member states (Author's calculations based on EC EATR database). This divergence further widened the gap between the tax treatment of SMEs in Serbia and their peers across the EU.

A comparative analysis of CIT incentive structures in Serbia and selected EU countries reveals that Serbia's practice of offering substantial tax reliefs exclusively to large-scale investments is relatively rare in the European context. While most EU countries provide some form of CIT incentive, their design tends to reflect more diversified policy priorities, often balancing support across firm sizes or targeting specific development objectives. Serbia, by contrast, maintains a system almost entirely geared towards large foreign investors, reinforcing the structural asymmetry in its investment climate.

Out of the 26 observed countries (25 EU member states[6] and Serbia), 21 offer CIT-based investment incentives, while five (Austria, Denmark, Germany, Finland, France, Ireland, and Sweden) either do not implement general CIT incentives or restrict them exclusively to green sectors.[7] Based on the nature, accessibility and targeting of these regimes, countries have been classified into six distinct groups:

- **Pro Small (8 out of 26)**: Incentives are accessible to all firms but provide clearly more favourable terms for smaller investments, such as higher deduction rates or more generous carry-forward periods. Representative examples include Belgium, Italy, Portugal, Malta and the Netherlands.
- **Neutral (7 out of 26)**: Incentives are broadly accessible and equally applicable regardless of firm size, without structural bias. This category includes countries such as Greece, Slovenia, Estonia and Hungary.
- **Pro Large (3 out of 26)**: Incentives are technically available to all investors but disproportionately favour larger projects by design, through high thresholds or scaled benefits. Examples include Lithuania, Slovakia and Croatia.

[6] Cyprus and Luxembourg were excluded from the tax policy analysis due to their atypical tax systems and unique economic structures, which heavily rely on offshore financial services and tax optimisation strategies that are not directly comparable to Serbia's investment environment.

[7] Table with full data on CIT incentives for selected 25 countries is available in the Appendix.

- **Only Large (1 out of 26)**: Incentives are explicitly reserved for large-scale investments, often with strict eligibility conditions based on investment volume and employment. Serbia is the only country in this category.
- **Only Green (2 out of 26)**: Incentives are not generally size-based but are narrowly targeted at environmentally sustainable or energy-efficient projects. This applies to countries such as Finland, France and Sweden.
- **None (5 out of 26)**: No significant CIT incentives for investment are in place. Germany, Austria and Ireland are included in this group.

The observed divergence suggests that Serbia's CIT incentive system is not only skewed but also increasingly misaligned with prevailing European practice. The absence of institutional support for smaller investors contributes to a structurally uneven investment environment and reinforces the market asymmetries already documented.

As an additional measure, not directly targeting investments but rather addressing the varying capacities of different company sizes, 10 out of the 25 observed EU countries have adopted differential CIT rates specifically tailored for SMEs (see Table 1). These preferential regimes typically involve reduced rates applied either to a defined portion of taxable income (e.g., Belgium, France, Portugal) or to companies below a specific revenue threshold (e.g., Croatia, Poland, Slovakia). Some countries, such as Lithuania, offer significant tax relief during the initial years of operation, while others, like Romania, apply simplified revenue-based taxation systems for micro-enterprises, reducing administrative and compliance burdens. In contrast, the majority of EU countries, including Germany, Italy, and the Netherlands, do not provide reduced CIT rates for SMEs. Instead, they rely on alternative mechanisms, such as grants or sector-specific incentives.

Table 1. Differential tax rates in EU countries

Country	Statutory CIT rate	Differential rate for SMEs
Belgium	25	20% for SMEs (reduced on the first €100,000)
Estonia	20	Withholding tax rate: for natural persons - 20%, for legal entities - 14%
Spain	25	23% for entities with turnover < EUR 1 million; 15% for newly created entities in the first two profitable years.
France	25.8	15% on the first €38,120 of profit for companies with turnover < €10 million.
Lithuania	15	0% for the first year and 5% thereafter for entities with fewer than ten employees and annual revenue under €300,000, subject to certain conditions
Portugal	31.5	17% on the first €25,000 of taxable income; excess taxed at 21%
Romania	16	1% on revenue for micro-enterprises with at least one employee; 3% for those without employees
Slovak Republic	21	15% for revenues below EUR 60,000
Croatia	18	10% for revenues below EUR 1 million
Poland	19	9% for net sales revenue < EUR 1.2 million

Source: Taxes in EU V4 database and Tax Observatory

In conclusion, Serbia's tax incentive structure remains strongly biased toward large-scale and foreign investments. While broadly aligned with pro-investment objectives, this asymmetry leaves domestic SMEs under-supported, contributing to an uneven playing field. The result is a tax environment that amplifies market distortions, weakens the competitive position of local firms, and limits the broader developmental reach of fiscal policy.

(c) Direct Subsidies

Subsidies[8] have also been significant in terms of both their size and their distortive effect, often biased towards FDIs in the case of Serbia. Similar to the tax incentive policy, subsidies have played an important role in Serbia's investment attraction policy since the early 2000s. According to Stojanović and Nikolov (2019), the Law on Foreign Investments adopted in 2002 was asymmetric in its treatment of domestic versus foreign investors. This asymmetry persisted until 2015, when the law was replaced with the Law on Investments. The criteria were first specifically defined in the Regulation on the Conditions and Methods for Attracting Direct Investments in 2016 (*Official Gazette of the Republic of Serbia*, No. 110 of December 30, 2016) and later refined in the Regulation on Determining Criteria for Awarding Incentives for Attracting Direct Investments in 2019, with two subsequent amendments in 2023 (*Official Gazette of the Republic of Serbia*, No. 1/2019, 39/2023, and 43/2023).

Although the number of programmes is relatively large, they can be grouped into three main categories. (a) Incentives for attracting direct investments: One of the main characteristics of these regulations has been the combination of minimal investment thresholds and requirements for new employment, both subject to the geographic location of the investment. In the first two iterations, the minimal threshold was set at €100,000 and ten new employees for underdeveloped municipalities (those with less than 40% of Serbia's average development level), with higher thresholds for more developed municipalities. In 2023, the categorisation of municipalities was abandoned and replaced with a simplified framework based on Serbia's three NUTS2 regions. The minimal thresholds were set at €500,000 and 50 new employees for Belgrade, €400,000 and 40 employees for the Vojvodina region, and €300,000 and 30 employees for the rest of the country. (b) Support for SMEs: The Law on Investments also provides a legal basis for programmes supporting SMEs, including initiatives implemented by the Development Agency of Serbia for equipment procurement, SME integration into Global Value Chains (GVCs), and other forms of technical assistance. (c) Other subsidy support programmes: These target specific business functions and include initiatives from the Development Fund of Serbia (e.g., entrepreneurship development encouragement programmes), the Innovation Fund (e.g., innovation activity support), and the National Employment Agency (e.g., on-the-job training programmes).

Despite the breadth of these programmes, subsidy-based schemes collectively favour FDIs. (a) Although the thresholds were considerably lower than those for the corporate income tax holiday, SME participation in these programmes has remained very low. Data on subsidies disbursed under the Law on Investments show a consistent bias towards FDIs (Figure 5). While Bojović and Obradović (2018) estimate that subsidy volumes under the preceding programme (2012–2016) were comparable to those observed in 2017–2018, SMEs received only about 12% of the total subsidy volume during the observed period, despite a modest increase in their share to around 18% between 2021 and 2023. (b) Programmes implemented by the Development Agency of Serbia, though specifically targeted at SMEs, remain limited in scope. For example, the equipment procurement support programme has been allocated between €7 and € 12 million annually, while the GVC integration support programme has reached only a very small number of companies. (c) Subsidies from the Development Fund of Serbia are primarily directed towards start-up entrepreneurs, often in personal services sectors (e.g., beauty salons, bakeries, craft trades). These subsidies are generally low in value and cannot be considered genuine support for investment generation in the traditional sense. Similarly, programmes of the Innovation Fund focus on innovation and R&D rather than traditional investment projects, and initiatives by the National Employment Service are similarly limited to large investments and their investment-generation for smaller companies is therefore also restricted.

Despite their relevance, SME-focused programmes remained modest in scale. The overall volume of support allocated to these initiatives during the observed period was limited and

[8] This category includes direct grants, interest subsidies, reimbursable grants, debt write-offs and subsidized services.

broadly aligned with the modest allocations made through the Development Agency of Serbia. While these programmes address important gaps in access to finance and technical assistance, they do not substantially alter the structural asymmetry in subsidy distribution, which continues to favour FDIs over domestic firms.

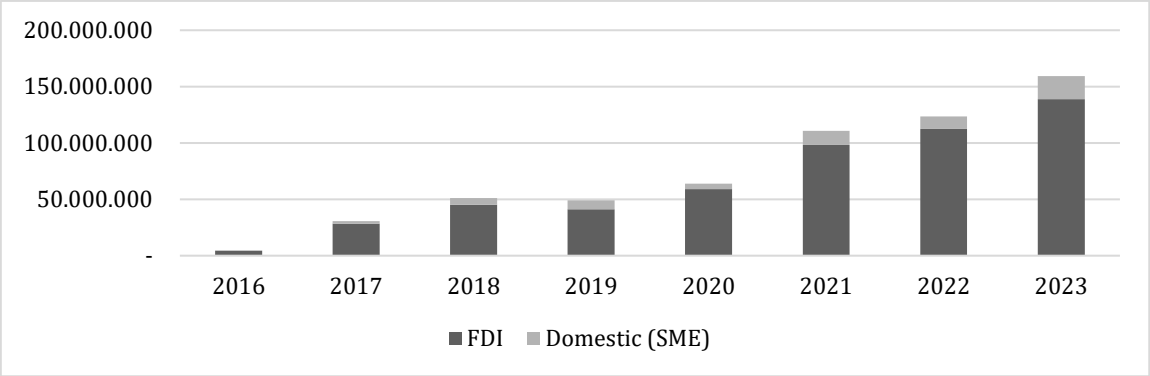

Figure 5. Subsidies paid under the Law on Investments from 2015 in EUR (effective from 2016)
Source: Ministry of Economy, Author's calculations

Taken together, the subsidy component of investment incentives in Serbia still exhibits a significant bias towards FDIs. The imbalance between SMEs and FDIs has been widely recognized (The World Bank, 2018; European Commission, 2021, 2022, 2023) and, according to CEVES (2024), SMEs have been receiving between 17% and 25% of total direct subsidies. When tax incentives are included alongside subsidies, the distribution ratio becomes even more disproportionate, standing at approximately 1:10—with €50–60 million allocated to SMEs compared to around €500 million directed towards FDIs (CEVES 2024[b]). This substantial disparity signals the existence of a significant distortion in market competition, where the financial and structural advantages granted to large, predominantly foreign enterprises place domestic SMEs at a considerable disadvantage. Such imbalances not only limit the capacity of SMEs to compete on equal footing but also restrict their potential contributions to economic diversification, innovation, and long-term sustainable growth.

(d) Institutions, Interest Rates, Domestic Savings and Crowd-Out

The quality of Serbia's institutional environment has been repeatedly identified as a major deterrent to investment (Arsić et al., 2019; Pontara et al., 2025; Petrović et al., 2019). Reports by the Doing Business initiative, the European Commission, and the World Economic Forum consistently point to regulatory unpredictability, weak rule of law, and administrative inefficiency as key weaknesses. These factors have been widely recognised as discouraging investment more broadly (Dawson, 1998; Mauro, 1995; Minović et al., 2020). At the same time, the institutional setting remains structurally uneven: large firms and foreign investors are often better positioned to navigate or bypass these constraints, benefitting from direct access to decision-makers and favourable state treatment (CEVES, 2019; European Commission, 2021).

Recent empirical studies support this perception of a dual business environment. Evidence from Serbia suggests that legal and institutional factors such as property rights, law enforcement, and judicial confidence remain important to foreign investors (Marjanović et al., 2024); however, the influence varies by investment type, with larger and more embedded investors facing fewer practical constraints. Jovanović et al. (2023) and Branković and Sarajčić (2024) report that core governance indicators, including regulatory quality and corruption perception, do not significantly shape FDI inflows, implying that foreign capital may operate under conditions detached from the regulatory burdens experienced by domestic firms. Khalid (2024) adds that in low-quality institutional settings, corruption may initially function as a facilitative mechanism for

FDI, though with adverse long-term effects. Notably, the World Bank's Control of Corruption score for Serbia declined from -0.33 in 2013 to -0.46 in 2022, despite stable levels of foreign investment, further suggesting that governance deterioration has not deterred foreign capital but may have deepened the institutional asymmetries facing domestic enterprises.

Access to finance is also recognised as an important determinant of domestic investment. SMEs face higher borrowing costs compared to large or foreign-owned companies, which are often able to draw on external financial resources through their parent groups. The financial system is shallow and highly bank-centric, while domestic credit activity has remained approximately 15 percentage points of GDP below the average for Central and Eastern Europe (Arsić et al., 2019). These structural weaknesses are reinforced by a limited capital market and underdeveloped institutional investors. Recent findings indicate that, in weaker institutional environments such as Serbia's, real interest rates may still matter for investment decisions, but their effects are less stable and more difficult to isolate (Bucevska & Merdzan, 2024).

Domestic savings also play an important role in generating domestic investments by providing the necessary capital for expansion, innovation, and resilience against economic shocks. Economic theory consistently emphasises the positive relationship between domestic savings and investments, suggesting that higher savings rates should naturally lead to increased domestic investment levels (Solow, 1956; Feldstein & Horioka, 1980), a finding largely consistent with the broader empirical literature (Anyanwu, 2006; Fowowe, 2011). However, despite a notable increase in Serbia's gross savings rate from around 5–6% in the early 2010s to 16% in 2022, this growth has not been fully reflected in domestic investment activity. A similar pattern is observed in the broader CEE and SEE region. Bucevska and Merdzan (2024) find that although gross domestic savings are positively associated with investment, the relationship does not reach statistical significance, suggesting that institutional weaknesses may limit the extent to which savings translate into productive investment.

While FDIs have contributed positively to Serbia's macroeconomic stability, export capacity, and employment generation (Marjanović et al., 2020; Marjanović et al., 2021), its broader economic effects are more limited. Serbia-specific research indicates that FDI has not led to widespread linkages with the domestic economy. Delević (2020), based on municipal-level data, finds that financial subsidies for FDI have not generated significant indirect employment or spillovers. Instead, job creation is confined to the subsidised firms, and there is no measurable crowding-in effect on the wider economy. Bucevska et al. (2024), examining trends across Central, Eastern, and South-Eastern Europe, similarly find that while FDI raises overall investment, it does not stimulate additional domestic investment beyond the value of the foreign inflows.

Finally, the potential for crowding out remains relevant. Inflows of foreign and domestic investment often interact, producing both competitive pressures and positive externalities. In weaker institutional contexts (Kandilarov, 2019), or in sectors already populated by local SMEs (Jude, 2019), FDI can displace domestic actors. Since 2010, most FDI in Serbia has flowed into the automotive sector. While this has not resulted in direct market displacement, it has intensified competition in the labour market. Given growing labour shortages, especially for skilled workers, this may raise employment costs and limit the investment potential of domestic firms.

CONCLUSION

Between 2013 and 2022, total investments in Serbia remained below the threshold typically associated with sustained economic growth, with domestic private investment persistently lagging behind. Despite steady inflows of FDI and an increase in public investment, especially in the second half of the observed period, investment activity among SME-driven domestic firms remained subdued, pointing to potential structural constraints. Several factors may have contributed to this outcome.

First, although Serbia's CIT regime appears competitive in terms of statutory rates, it is heavily skewed towards large-scale investments through investment-linked tax incentives. A typology developed in this paper places Serbia among a small group of countries offering substantial CIT incentives exclusively to large investors, with no comparable provisions for smaller enterprises. This contrasts with most EU countries, where incentive structures tend to be more balanced or SME-oriented. The resulting asymmetry in tax treatment may have contributed to a distorted investment environment that fails to support broad-based private sector growth. Meanwhile, EATRs declined by approximately 2.0 percentage points in New Member States and 2.5 percentage points in older EU member states over the same period, while remaining largely unchanged in Serbia, suggesting a growing divergence in the effective tax burden faced by firms operating in different national contexts.

Second, the allocation of direct subsidies mirrors these patterns. While SME-oriented programmes exist, the overwhelming share of subsidy funds has been channelled to large-scale and foreign projects (World Bank, 2020; Delević, 2020). These asymmetries raise questions about the long-term allocative efficiency and domestic investment potential of current policies. Although institutional weaknesses are frequently cited as barriers to investment (Arsić et al., 2019; Pontara et al., 2025), recent empirical evidence suggests that governance quality does not significantly affect FDI inflows (Jovanović et al., 2023; Branković & Sarajčić, 2024; Khalid, 2024), pointing to the presence of a dual regulatory environment in which foreign investors are relatively insulated from the constraints faced by domestic enterprises.

Third, access to finance continues to pose structural limitations. Borrowing costs for domestic SMEs remain high, and financial intermediation in Serbia is underdeveloped compared to regional benchmarks (Arsić et al., 2019). Fourth, while gross domestic savings rose to 16% of GDP by 2022, the relationship between savings and domestic investment does not appear statistically significant in Serbia or comparable South-East European countries, likely due to weak institutional transmission mechanisms (Bucevska & Merdzan, 2024). Fifth, although FDI has contributed positively to exports and employment (Marjanović et al., 2020; 2021), its broader developmental impact remains limited. Spillover effects have been modest (Delević, 2020), while competitive pressures in the labour market, particularly for skilled workers, may have constrained domestic firms' capacity to expand.

Policy recommendations:

1. Rebalance tax and subsidy incentives to include structured, size-sensitive support for SMEs, particularly in tradable sectors.
2. Improve institutional coherence and regulatory transparency, with a focus on reducing disparities between domestic and foreign investors.
3. Strengthen financial intermediation, including the development of non-bank financing channels and targeted SME credit support schemes.
4. Systematically evaluate FDI-related externalities, including spillover potential, labour market effects, and the efficiency of tax expenditures.

Further research could examine more granular firm-level interactions, particularly the indirect effects of FDIs on domestic firms, the dynamics of crowding-in or -out in labour markets, and the potential for vertical integration or supplier linkages between foreign and domestic companies.

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World Bank Open data database (https://data.worldbank.org/)
EU Tax Observatory (https://www.taxobservatory.eu/)
Eurostat (https://ec.europa.eu/eurostat/web/main/data/database)

APPENDIX: EVALUATION OF TAX INCENTIVE REGIMES FOR INVESTMENTS

To evaluate the nature of tax incentives for investments across selected countries, a qualitative grading system was developed. The system categorized countries into six distinct groups based on the structure, accessibility, and focus of their tax incentive regimes:

1. Only Small – Incentives exclusively target smaller investments, offering no substantial benefits for larger projects.
2. Pro Small – Incentives are available to all sizes of investments but offer more favorable terms for smaller investments, such as higher credits or longer periods.
3. Neutral – Incentives are equally accessible and beneficial to investments of all sizes, without evident bias toward small or large projects.
4. Pro Large – Incentives are available for all investments but are designed to provide greater benefits to larger projects.
5. Only Large Investments – Incentives are exclusively designed for large-scale investments, often with high thresholds for eligibility, leaving smaller projects unaddressed.
6. Only Green– Incentives are specifically targeted at investments in environmentally friendly or energy-efficient projects, with no broad applicability to other types of investments.
7. None – No significant tax incentives are available.

The classification was based on a comprehensive review of national tax policies, focusing on factors such as thresholds for eligibility, maximum and minimum credit rates, targeted sectors, and whether specific schemes favoured certain business sizes or industries. Each country was assigned a grade that reflects its policy emphasis. Results are presented in the box below:

Country	**Tax Incentives**	**Evaluation**
Malta	- Business Development Scheme: Up to €300,000 in tax credits or grants for projects including digital transformation and environmental actions, covering up to 75% of eligible costs. - Smart & Sustainable Investment Grant: Up to €100,000 for sustainability or digitization investments, covering up to 50% of eligible costs. - Target: Accessible to both SMEs and large enterprises, with a slight bias for the former. Specific schemes are tailored to different business sizes and sectors.	Pro small
Belgium	- General Track: 10% or 20% deduction for qualifying digital investments (SMEs only). - Targeted Track: 40% deduction for SMEs or 30% for non-SMEs on eligible fixed assets (list to be published). - Technology Track: 13.5% (one-off) or 20.5% (spread) deduction for R&D-related fixed assets with low or no environmental impact. - Eligibility: Investment types must meet conditions, and regional aid exclusions apply.	Pro small
Bulgaria	- Tax Exemptions for Investments: Up to 100% CIT exemption for investments in regions with high unemployment. - Incentives for Specific Sectors: Tax exemptions and reductions for investments in manufacturing, R&D, and key industries.	Neutral
Czech Republic	- Investment Incentives: Corporate income tax credits available for qualifying investments (20-40% of eligible costs for large companies, 30-50% for medium and 40-60% for small). - Energy-Saving Technologies: Tax-based incentives for investments in energy-efficient technologies.	Pro small
Germany	None	None

Country	Tax Incentives	Evaluation
Denmark	- Generally, no tax incentives. Exceptions for introduction of CO_2 tax to incentivize green investments.	Only green
Estonia	- Deferred taxation on reinvested profits: Corporate profits are taxed only upon distribution, allowing indefinite deferral of tax on reinvested earnings, which can be viewed as a tax incentive promoting reinvestment and economic growth.	Neutral
Greece	- Diverse tax incentive system: Tax exemptions for strategic investments available for various industries and investment sizes, generally neutral regarding business size. - Tax credits/exemptions: Up to 50% of eligible investment costs for strategic investments.	Neutral
Spain	- Investment Tax Credits: Typically range from 10% to 25% for eligible fixed asset investments. - Regional Incentives: Additional tax credits may apply, potentially up to 40%, in economically disadvantaged areas.	Pro small
Finland	None	None
France	- Only for green industry. Green Industry Tax Credit (C3IV): 20% of eligible investments, increased to 25%-40% depending on location, up to €150 million per company (or €350 million in specific areas).	Only green
Hungary	Tax credits available for a 13-year period (beginning once the investment is completed or the next year) in the CIT returns over a maximum of 16 years from the following year of the original application. In any given tax year, the tax incentive is available for up to 80% of the tax payable but is limited, in total, to the state aid intensity ceiling. Thresholds are relatively low, making investment incentives universally accessible. Incentives also available for investments in energy efficiency.	Neutral
Ireland	None	None
Italy	- Tax Credit ranging from 5% to 50%, heavily tilted towards smaller investments (up to 2 million EUR, while larger investments are considered to be 10 million or more).	Pro small
Lithuania	- Investment Project Incentive allows for a 100% deduction of qualifying long-term asset costs (2009–2028). Tax holiday of up to 20 years for large investments (€20 million+) and 150+ jobs. Slight favouring of large investments.	Pro large
Latvia	- Effectively a 100% tax credit on CIT while withholding tax is considered CIT. Special Economic Zones (SEZs) offer additional tax benefits, favouring larger investments. Overall, the system is mostly neutral.	Neutral
Netherlands	- Small-Scale Investment Allowance (KIA): Provides deductions for business assets, favouring smaller investments. Environmental and Energy Investment Allowance: Deduction of 27-45.5% of investment cost in energy-efficient assets from taxable profits. Overall system favours smaller investments.	Pro small
Portugal	- RFAI: Deduction of 30% for qualified investments below €15 million and 10% for investments above that threshold, capped at 50% of CIT due. Reinvestment Relief: 50% relief on capital gains reinvested in fixed assets. Overall system favours smaller investments.	Pro small
Romania	- Full tax exemption on reinvested profits (0% CIT rate for reinvested profit): CIT exemption for profits reinvested in technological equipment, computers, and software.	Neutral
Sweden	- Only limited tax incentives for green industries are with no broad-based tax credits or exemptions. State aid primarily disbursed through grants	Only green

Country	Tax Incentives	Evaluation
Slovak Republic	- Investment deduction based on reinvestment percentage: 15% for investments 1-20M EUR, 25% for 20-50M EUR, 50% for over 50M EUR. Slovakia sets a high threshold (EUR 1M) for eligibility, making it unique in the EU.	Pro large
Slovenia	- 40% deduction of investments in equipment, intangible assets, digital transformation, and green technologies, capped at 63% of pre-tax profit. Overall, neutral system favouring both small and large investments.	Neutral
Croatia	- 50% to 100% CIT rate reductions over 5 to 10 years, depending on investment size: EUR 50K+ for micro (50%), EUR 150K+ for small/medium (50-75%), EUR 3M+ for large (100%). Slightly favours large investments overall.	Pro large
Austria	None	None
Poland	Tax exemptions in Polish Investment Zone (PIZ): 10-15 years, capped at 10-50% of eligible costs for large enterprises, 20-70% for SMEs depending on region; up to 100% of CIT. Favors smaller investments overall	Pro small
Serbia	10-year tax holiday exclusively for large investments exceeding EUR 8 million and creating at least 100 jobs. The system is explicitly designed for large-scale investments, with no equivalent incentive for SMEs.	Only large

Source: Author's compilation from European Commission Taxes in Europe Database V4[9] and PwC online taxation guides for corporate income taxation and related incentives[10]. Further clarifications and cross-checking was conducted through analysis of guidance documents by the respective development agencies of each country.

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[9] Last accessed on 10th December 2024: https://ec.europa.eu/taxation_customs/tedb/#/home
[10] Last accessed on 10th December 2024: https://www.pwc.com.