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TAX COMPETITIVENESS AS A SIGNIFICANT FACTOR IN ATTRACTING FOREIGN INVESTMENT – THE CASE OF SERBIA

Tax competitiveness signifies a strategy that the government uses to attract foreign investment through appropriate, privileged tax measures. It most commonly occurs between neighbouring countries, with significant tax reforms taking place in terms of the competitiveness of their tax systems. A high degree of a state's competitiveness allows for a greater inflow of foreign investments, which, to a certain extent, can significantly affect its economic growth and development. Tax competition in itself means that one jurisdiction attempts to attract foreign capital by offering favourable tax treatment to foreign investors, most often through tax relief and tax exemptions, while at the same time reducing the tax base and/or tax rate. The main goal of this paper was to determine the degree of tax competitiveness of Serbia in relation to other European countries, classified both by region and globally. Based on the goals set, the authors conducted empirical research which allowed to reach the viewpoints of foreign investors in terms of tax competitiveness, based on their opinions and future expectations. The research involved the largest foreign investors who invested capital in Serbia in the past 20 years, and who carried out their business activities in other European countries or regions. The methodology of the research was based on a quantitative approach, allowing to obtain numerical data, their mutual comparability, and to determine the connection that exists between them. The results clearly indicate that the largest number of foreign investors believe that Serbia's tax competitiveness is essentially the same compared to other European countries from the observed regions. These results can be of interest to fiscal policy makers, and it is very important that in the coming period there will be an increase in competitiveness, which can have positive effects both on the inflow of foreign investment and the economic growth and development of the country.

Keywords: tax competitiveness, economic growth and development, foreign investment

JEL Classification: F21, E62, F63

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1. INTRODUCTION

The issue of tax competition, particularly intensified at the end of the 20th century, has become crucial for maintaining a country's tax policy. Under the influence of tax competition, multinational companies are in a position to

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invest their capital in a particular country, which automatically leads to the opening of new production facilities, and also the recruitment of a local workforce. In the world economy, the financial centres of powerful multinational companies have a leading role, so every country seeks to keep such companies under its tax jurisdiction. It is important to note that when placing their own capital, large multinational companies usually choose those countries that offer them the most favourable conditions in terms of tax rates, facilities and subsidies for a certain period. From this one can conclude that tax competition between countries is beneficial for their economic growth, which in a global economy most often means an increase in investment. Therefore, for a country to be able to create comparative advantages, foreign direct investment is one of the important factors.

Attracting a sufficient level of foreign investment as one of the goals of each country, involves creating an attractive investment climate, which exists in a situation when there are stable business conditions in the country, a stable political situation, an educated and experienced labour force, easy access to raw materials and other resources, etc. It is important to note that almost all countries are seeking to liberalize their regulations that determine the framework of foreign investment. Since there are no restrictions that can affect the movement of capital, investments are now allowed in almost all industries. In the preparatory activities that the state implements, which as a result should attract foreign investments, attention is devoted to the development of strategies and programmes that can significantly contribute to the achievement of this goal.

The tax competitiveness of a country is reflected, among others, through the use of various tax incentives that enable the investor to reduce the investment risk and achieve greater profits. Under pressure from countries with low tax burdens, it is inevitable that other countries try to keep their tax rates at an optimum level, as it will enable investors to continue with their business activities without the need to switch to some other more favourable tax environment. If there are significant differences in the tax systems, the investors usually decides to move the capital into those countries where the total effective tax burden is lower.

One of the motives of a foreign investor in investing capital is the demand for resources that are not available in the home country or are in limited quantities, and can usually be provided in a foreign country on very favourable terms. Another important motive for a foreign investor is the expansion of the market. In this way, the foreign investor reduces transportation costs, and tries to adapt the products to the needs of the consumers, which can undoubtedly contribute to becoming more competitive in the given market. A significant

motive for a foreign investor is also the demand for greater output, because it is more efficient to use joint management with its branches in order to maximize the benefits that come out of it, as well as the advantages offered by individual locations (Parašić et al., 2017).

2. THEORETICAL BACKGROUND

In the process of globalization, the capital – as a major factor in creating the global economy – can accelerate the economic development of a country in which the funds are invested (Li, 2016; Domazet, Marjanović, 2018). With the greater globalization of economic activities as well as the ‘shifting’ of state borders by capital, labour and services, states began to compete with one another, attracting as many business entities as possible, and thus greater investment (Keen, Konrad, 2011; Becker, Riedel, 2012). After the accession of most East European countries into the European Union, the focus of the tax competitiveness issue was transferred to the countries of South East Europe that were left outside the European Union, including Serbia, which do not have enough domestic capital in their economies, nor enough investment necessary to encourage economic activities (Domazet et al., 2018).

Competitiveness can be defined as the ability to face competition and to be successful when facing competition. Competition may be within domestic markets (when firms or sectors in the same country are compared with each other) or international (in this case comparisons are made between countries) (Genge, 2017). Developing countries do not enjoy benefits that can be compared with economically developed countries to participate in the international division of labour, which implicitly affects the international competitiveness of countries (Rynarzewski, 2011). Among the factors that significantly affect the competitiveness of a particular country, one can especially point out: high tax burden, high public debt, high operating costs, uncoordinated legislation, poor quality traffic infrastructure, poor competition that does not encourage companies to innovate, competitiveness, etc. (Marjanović, Domazet, 2018; Harger, Ross, 2016).

In the years that followed the global economic crisis (2007-2012), the size and flows of foreign investments were redistributed (Róžański, 2014). The rise of outward foreign direct investment from emerging countries embodies a clear indicator of changes in the global economy. The largest newly industrialized economies changed their status from being only recipients of capital in the form of FDI, to becoming its important sources (Klimek, 2016; Fernández-de-Córdoba, Torres, 2012; Hatfield, 2015).

As more and more firms from the CEE region invest abroad, there seems to be an urgent need to undertake more focused studies in order to better understand what determines the entry mode choice, and to be able to offer recommendations to foreign direct investors from the said region (Gorynia et al., 2016). Nowadays, foreign direct investment is considered one of the most efficient ways to raise the comparative advantages of a country (Cazzavillan, Olszewski, 2012; Domazet, Marjanović, 2018a).

Most countries try to attract multinational companies and their capital by reducing tax burdens as much as possible. This behaviour results in tax competition, which is described as a “race to the bottom” – the RTB thesis (Hecock, Jepsen, 2013; Thite et al., 2012). The accelerated process of globalization, the liberalization of the foreign investment regime, and the deregulation of many activities, have allowed multinational companies an ever-increasing range of locations. As a consequence (Du et al, 2012; Munoz-Bullon, Sanchez-Bueno, 2013; Anken, Beasley, 2012), multinational companies are becoming increasingly demanding when choosing the host country for investment. In the past few years, the profitability of foreign investment has improved significantly, primarily due to the weaker symptoms of the financial and economic crisis (Róžański, Socha, 2017; Domazet et al., 2018).

3. RESEARCH METHODOLOGY

This study applied a quantitative approach based on data collection, with a clear plan that to compare and analyse the relations that exist between the data obtained in the subsequent phases. Within the quantitative approach, the authors used the examination method, that is, the survey technique. Since the obtained data were objective, precise, quantitative and measurable, the appropriate statistical methods were used for processing and analysis of data. In order to obtain adequate data based on which valid conclusions could be made, it was extremely important that the sample itself was representative. The basic set in the survey consisted of 88 investors who invested capital in Serbia in the last 20 years. The questionnaire was submitted exclusively to the company owner, the general manager or a highly positioned person in the company that directly decides on the choice of location and the amount of funds to be invested. Table 1 shows the characteristics of foreign investors who participated in the survey by using frequency and percentage distribution.

Table 1
Characteristics of foreign investors

Main activity of a foreign investor	<i>Manufacturing industry</i>	Frequency	55
		Percentage	62.5
	<i>Service industry</i>	Frequency	33
		Percentage	37.5
The degree of internationalization of the foreign investor's business	<i>Regional company</i>	Frequency	24
		Percentage	27.3
	<i>Multinational company</i>	Frequency	41
		Percentage	46.6
	<i>Global company</i>	Frequency	23
		Percentage	26.1
Method of entry of a foreign investor into the Serbian market	<i>Direct investment</i>	Frequency	47
		Percentage	53.4
	<i>Indirect investment</i>	Frequency	41
		Percentage	46.6
The size of a business entity of foreign investor in Serbia	<i>Small business entity</i>	Frequency	16
		Percentage	18.2
	<i>Medium business entity</i>	Frequency	22
		Percentage	25
	<i>Large business entity</i>	Frequency	50
		Percentage	56.8
The amount of foreign investment in Serbia	<i>Up to 10 million €</i>	Frequency	25
		Percentage	28.4
	<i>11 to 50 million €</i>	Frequency	36
		Percentage	40.9
	<i>51 to 100 million €</i>	Frequency	14
		Percentage	15.9
	<i>Over 100 million €</i>	Percentage	13
		Percentage	14.8

Source: authors' research.

In the first part of the research activity, the focus was on the graphic representation of all the dependent variables and descriptive statistics, making it possible to present the results and then calculate the frequencies, percentages, standard deviations and variances as well as the average grades. In the second part, the authors conducted an analysis of the differences in the dependent variables based on a subgroup of independent variables; a comparison was

then made, with the aim of determining whether there was a statistically significant difference between different groups of foreign investors.

$$\eta^2 = \frac{\sum_{i=1}^k N_i (\bar{X}_i - \bar{X})^2}{\sum_{i=1}^k \sum_{j=1}^{N_j} (X_{ij} - \bar{X})^2} \quad (1)$$

$$\eta^2 = \frac{t^2}{t^2 + (N_1 + N_2 - 2)} \quad (2)$$

Where η^2 is the magnitude of the statistically significant difference; N is the number of units in the set; t is the value t -test; and \bar{X} is the arithmetic mean.

In order to properly calculate the value of the statistically significant difference between three or more groups of subjects, a single-factor analysis of the variance of different groups was used (1), and respectively, between two groups of respondents was applied the independent sample t -test (2).

4. RESEARCH RESULTS

The main task of the research was to determine the degree of tax competitiveness of Serbia in relation to other countries, based on the attitudes of foreign investors operating in Serbia. The degree of tax competitiveness of Serbia was analysed in relation to the countries of South East Europe, Eastern Europe, other European countries, and globally.

Based on the obtained results, it is notable that the largest number of foreign investors believe that the level of tax competitiveness of Serbia is essentially the same, whether it is the comparison with the countries of South East Europe (63.6%), the countries of Eastern Europe (47.7%), to other European countries (65.9%) or in global terms (77.3%). However, a significant number of foreign investors believe that the level of tax competition of Serbia is even slightly higher compared to the countries of South East Europe (34.1%), East European countries (38.6%), other European countries (34.1%) and globally (9.1%). A far smaller number of foreign investors stated that the degree of tax competitiveness of Serbia is somewhat lower, compared to the countries of South East Europe (2.3%), East European countries (11.4%) and globally (13.6%). The attitudes of foreign investors regarding the level of tax competitiveness of Serbia are shown in the form of descriptive statistics in Table 2.

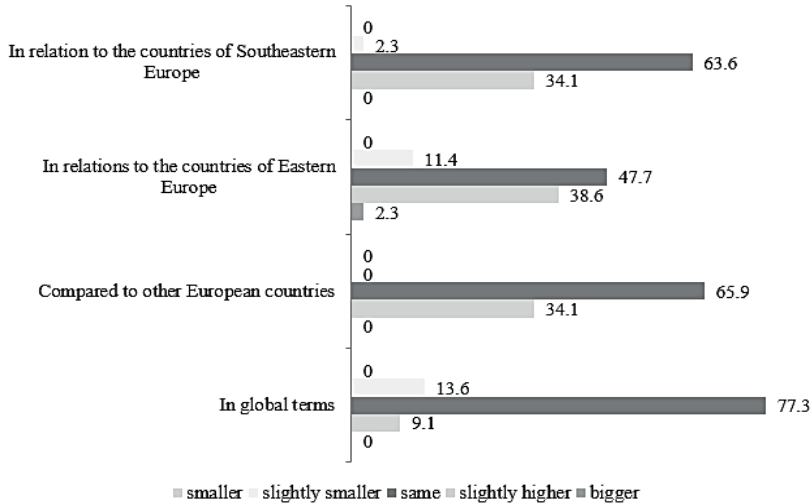


Fig. 1. Level of tax competitiveness of Serbia

Source: authors' research.

Table 2

Level of tax competitiveness of Serbia in comparison to other countries – descriptive statistics

	Level of evaluation					<i>M</i>	<i>SD</i>	<i>V</i>
	1	2	3	4	5			
	<i>f</i> (%)	<i>f</i> (%)	<i>f</i> (%)	<i>f</i> (%)	<i>f</i> (%)			
In comparison to SEE countries	0 (0)	2 (2.3)	56 (63.6)	30 (34.1)	0 (0)	3.3182	0.51518	0.265
In comparison to EE countries	0 (0)	10 (11.4)	42 (47.7)	34 (38.6)	2 (2.3)	3.3182	0.70377	0.495
In comparison to other European countries	0 (0)	0 (0)	58 (65.9)	30 (34.1)	0 (0)	3.3409	0.47673	0.227
In global terms	0 (0)	12 (13.6)	68 (77.3)	8 (9.1)	0 (0)	2.9545	0.47728	0.228

Source: authors' research.

If there is a difference between foreign investors and it is statistically significant, an ANOVA of different groups and *t*-test of independent samples was applied to assess the level of tax competitiveness of Serbia in relation to other countries. The analysis focused on the level of tax competitiveness of Serbia in relation to other countries in terms of:

- (a) the activity of foreign investors,
- (b) the level of internationalization of foreign investors' business,
- (c) the way foreign investors enter the Serbian market,
- (d) the size of the foreign investor's business unit in Serbia,
- (e) the level of investment of foreign investors in Serbia.

1) *The level of tax competitiveness of Serbia in relation to other countries from the viewpoint of the activity of foreign investors*

Analysing the tax competitiveness of Serbia in relation to other countries, from the viewpoint of the activity of foreign investors (manufacturing industry or service industry), Table 3 presents the results of the independent samples *t*-test.

Table 3
The level of tax competitiveness of Serbia in relation to other countries

	M (SD)		MD	95% CID		<i>t</i>	<i>p</i> *
	MI <i>N</i> = 55	SI <i>N</i> = 33		Lower	Upper		
In comparison to SEE countries	3.4182 (0.49781)	3.1515 (0.50752)	0.26667	0.04517	0.48817	2.403	0.019
In comparison to EE countries	3.4909 (0.69048)	3.0303 (0.63663)	0.46061	0.17206	0.74915	3.182	0.002
In comparison to other European countries	3.4182 (0.49781)	3.2121 (0.41515)	0.20606	0.00966	0.40246	2.089	0.040
In global terms	3.0364 (0.50785)	2.8182 (0.39167)	0.21818	0.02589	0.41047	2.258	0.027

Note: * Statistically significant difference at $p < 0.05$

Source: authors' research.

In assessing the level of tax competitiveness of Serbia in comparison to other countries, it is evident that there are differences that are statistically significant, which is shown by the independent samples *t*-test.

When it comes to the countries of South East Europe, $t(86) = 2.403$, $p = 0.019$, $MD = 0.26667$, 95% CID: from 0.04517 to 0.48817, the size of the difference between foreign investors whose main activity belongs to the manufacturing industry ($M = 3.4182$, $SD = 0.49781$), and foreign investors whose main activity belongs to the service industry ($M = 3.1515$, $SD = 0.50752$) is $\eta^2 = 0.063$, and as such represents a difference of a medium scale. Accordingly, foreign investors whose main activity belongs to the manufacturing industries more favourably assessed the tax competitiveness of Serbia in comparison to the countries of South East Europe.

Regarding the countries of Eastern Europe, $t(86) = 3.182$, $p = 0.002$, $MD = 0.46061$, 95% *CID*: from 0.17206 to 0.74915, the size of the difference between foreign investors whose main activity belongs to the manufacturing industry ($M = 3.4909$, $SD = 0.69048$), and foreign investors whose main activity belongs to the service industry ($M = 3.0303$, $SD = 0.63663$) is $\eta^2 = 0.105$, and as such represents a difference on a large scale. Accordingly, foreign investors whose main activity belongs to the manufacturing industries more favourably assessed the tax competitiveness of Serbia in comparison to the countries of Eastern Europe.

For other European countries, $t(86) = 2.089$, $p = 0.040$, $MD = 0.20606$, 95% *CID*: from 0.00966 to 0.40246, the size of the difference between foreign investors whose main activity belongs to the manufacturing industry ($M = 3.4182$, $SD = 0.49781$), and foreign investors whose main activity belongs to the service industry ($M = 3.2121$, $SD = 0.41515$) is $\eta^2 = 0.048$, and as such represents a difference on a small scale. Accordingly, foreign investors whose main activity belongs to the manufacturing industries more favourably assessed the tax competitiveness of Serbia in comparison to other European countries.

In global terms, $t(86) = 2.258$, $p = 0.027$, $MD = 0.21818$, 95% *CID*: from 0.02589 to 0.41047, the size of the difference between foreign investors whose main activity belongs to the manufacturing industry ($M = 3.0364$, $SD = 0.50785$), and foreign investors whose main activity belongs to the service industry ($M = 2.8182$, $SD = 0.39167$) is $\eta^2 = 0.056$, and as such represents a difference on a medium scale. Accordingly, foreign investors whose main activity belongs to the manufacturing industries more favourably assessed the tax competitiveness of Serbia in global proportions.

2) The level of tax competitiveness of Serbia in relation to other countries from the viewpoint of the level of internationalization of foreign investors' business

Analysing the tax competitiveness of Serbia in relation to other countries, from the viewpoint of the level of internationalization of foreign investors' business (regional company, multinational company or global company), Table 4 presents the results of the ANOVA different group sizes.

ANOVA results showed the existence of statistically significant differences in evaluating the level of tax competitiveness of Serbia compared to other countries.

In assessing the tax competitiveness of Serbia in relation to the countries of South East Europe, $F(2, 85) = 3.120$, $p = 0.049$, the size of the difference between different groups of foreign investors, where $\eta^2 = 0.068$ is determined, and as such represents a difference on a medium scale. Subsequent comparison

Table 4
The level of tax competitiveness of Serbia in relation to other countries

		M (SD)	95% CIM		F	p*
			Lower	Upper		
In comparison to SEE countries	RC N = 24	3.3333 (0.63702)	3.0643	3.6023	3.120	0.049
	MC N = 41	3.1951 (0.40122)	3.0685	3.3218		
	GC N = 23	3.5217 (0.51075)	3.3009	3.7426		
In comparison to EE countries	RC N = 24	3.0833 (0.77553)	2.7559	3.4108	3.515	0.034
	MC N = 41	3.2927 (0.64202)	3.0900	3.4953		
	GC N = 23	3.6087 (0.65638)	3.3249	3.8925		
In comparison to other European countries	RC N = 24	3.4167 (0.50361)	3.2040	3.6293	1.621	0.204
	MC N = 41	3.2439 (0.43477)	3.1067	3.3811		
	GC N = 23	3.4348 (0.50687)	3.2156	3.6540		
In global terms	RC N = 24	2.7500 (0.44233)	2.5632	2.9368	5.068	0.008
	MC N = 41	2.9512 (0.49755)	2.7942	3.1083		
	GC N = 23	3.1739 (0.38755)	3.0063	3.3415		

Note: * Statistically significant difference at $p < 0.05$

Source: authors' research.

Table 5
Serbia's tax competitiveness in relation to SEE countries

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
In comparison to SEE countries	RC	MC	0.13821	0.536	-0.1702	0.4466
		GC	-0.18841	0.408	-0.5386	0.1618
	MC	RC	-0.13821	0.536	-0.4466	0.1702
		GC	-0.32662	0.039	-0.6392	-0.0140
	GC	RC	0.18841	0.408	-0.1618	0.5386
		MC	0.32662	0.039	0.0140	0.6392

Note: * Statistically significant difference exists at $p < 0.05$

Source: authors' research.

through the T-HSD test (Table 5) found that there was a difference that was statistically significant between the group of foreign investors belonging to multinational companies ($M = 3.1951$, $SD = 0.40122$) and foreign investors belonging to global companies ($M = 3.5217$, $SD = 0.51075$).

Accordingly, foreign investors belonging to global companies more favourably assessed the tax competitiveness of Serbia in relation to the countries of South East Europe.

In assessing the tax competitiveness of Serbia in relation to the countries of Eastern Europe, $F(2, 85) = 3.515$, $p = 0.034$, the size of the difference between different groups of foreign investors, where $\eta^2 = 0.076$ is determined, and as such represents a difference on a medium scale. Subsequent comparison through the T-HSD test (Table 6) found that there was a difference that was statistically significant between the groups of foreign investors belonging to regional companies ($M = 3.0833$, $SD = 0.77553$), and foreign investors belonging to global companies ($M = 3.6087$, $SD = 0.65638$).

Table 6
Serbia's tax competitiveness in relation to other EE countries

	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
In comparison to East European countries	RC	MC	-0.20935	0.462	-0.6289	0.2102
		GC	-0.52536	0.027	-1.0017	-0.0491
	MC	RC	0.20935	0.462	-0.2102	0.6289
		GC	-0.31601	0.185	-0.7413	0.1092
	GC	RC	0.52536	0.027	0.0491	1.0017
		MC	0.31601	0.185	-0.1092	0.7413

Note: * Statistically significant difference exists at $p < 0.05$

Source: authors' research.

Accordingly, foreign investors belonging to global companies more favourably assessed the tax competitiveness of Serbia in relation to the countries of Eastern Europe.

In assessing the tax competitiveness of Serbia in global terms, $F(2, 85) = 5.068$, $p = 0.008$, the size of the difference between different groups of foreign investors, where $\eta^2 = 0.914$ is determined, and as such represents a difference on a medium scale. Subsequent comparison through the T-HSD test (Table 7) found that there was a difference that was statistically significant between the groups of foreign investors belonging to regional companies ($M = 2.7500$, $SD = 0.44233$), and foreign investors belonging to global companies ($M = 3.1739$, $SD = 0.38755$).

Table 7
Serbia's tax competitiveness in global terms

	(I)	(J)	MD (I-J)	P^*	95% CIM	
					Lower	Upper
In global terms	RC	MC	-0.20122	0.205	-0.4810	0.0786
		GC	-0.42391	0.006	-0.7416	-0.1062
	MC	RC	0.20122	0.205	-0.0786	0.4810
		GC	-0.22269	0.153	-0.5063	0.0609
	GC	RC	0.42391	0.006	0.1062	0.7416
		MC	0.22269	0.153	-0.0609	0.5063

Note: * Statistically significant difference exists at $p < 0.05$

Source: authors' research.

Accordingly, foreign investors belonging to global companies more favourably assessed the tax competitiveness of Serbia in relation to the foreign investors belonging to regional companies.

3) *The level of tax competitiveness of Serbia in relation to other countries from the viewpoint of the way foreign investors enter the Serbian market*

In assessing the tax competitiveness of Serbia in relation to other countries from the viewpoint of the way foreign investors enter the Serbian market (direct investment or indirect investment), Table 8 presents the results of the independent samples *t*-test.

Table 8
The level of tax competitiveness of Serbia in relation to other countries

	M (SD)		MD	95% CID		<i>t</i>	p^*
	DI <i>N</i> = 47	II <i>N</i> = 41		Lower	Upper		
In comparison to SEE countries	3.2553 (0.53030)	3.3902 (0.49386)	-0.13492	-0.35314	0.08329	-1.229	0.222
In comparison to EE countries	3.2979 (0.77781)	3.3415 (0.61684)	-0.004359	-0.034415	0.25697	-0.288	0.774
In comparison to other European countries	3.3191 (0.47119)	3.3659 (0.48765)	-0.04670	-0.25016	0.15675	-0.456	0.649
In global terms	2.8936 (0.52062)	3.0244 (0.41760)	-0.13077	-0.33277	0.07122	-1.287	0.202

Note: * Statistically significant difference exists at $p < 0.05$

Source: authors' research.

The results of the independent samples *t*-test showed that, depending on the way foreign investors entered Serbia, there are no statistically significant differences in the assessment of Serbia's tax competitiveness in relation to other countries. There was no statistically significant difference at the level of $p < 0.05$ among foreign investors who entered the Serbian market through a direct investment and those who entered the Serbian market through an indirect investment, in assessing the level of tax competitiveness of Serbia in relation to the countries of South East Europe, Eastern Europe, all other European countries and globally.

Table 9
The level of tax competitiveness of Serbia in relation to other countries

		M (SD)	95% CIM		F	p*
			Lower	Upper		
In comparison to SEE countries	SBE N = 16	3.0000 (0.00000)	3.0000	3.0000	4.030	0.021
	MBE N = 22	3.3636 (0.49237)	3.1453	3.5819		
	LBE N = 50	3.4000 (0.57143)	3.2376	3.5624		
In comparison to EE countries	SBE N = 16	3.1250 (0.61914)	2.7951	3.4549	1.797	0.172
	MBE N = 22	3.1818 (0.73266)	2.8570	3.5067		
	LBE N = 50	3.4400 (0.70450)	3.2398	3.6402		
In comparison to other European countries	SBE N = 16	3.1250 (0.34157)	2.9430	3.3070	2.102	0.129
	MBE N = 22	3.3636 (0.49237)	3.1453	3.5819		
	LBE N = 50	3.4000 (0.49487)	3.2594	3.5406		
In global terms	SBE N = 16	3.0000 (0.51640)	2.7248	3.2752	0.172	0.842
	MBE N = 22	2.9091 (0.52636)	2.6757	3.1425		
	LBE N = 50	2.9600 (0.44994)	2.8321	3.0879		

Note: * Statistically significant difference exists at $p < 0.05$

Source: authors' research.

4) *The level of tax competitiveness of Serbia in relation to other countries from the viewpoint of the size of the foreign investor's business unit in Serbia*

Analysing the tax competitiveness of Serbia in relation to other countries from the viewpoint of the size of the foreign investor's business unit in Serbia (small business entity, medium business entity or large business entity), Table 9 presents the results of the ANOVA different group sizes.

The ANOVA results showed the existence of statistically significant differences in evaluating the level of tax competitiveness of Serbia compared to SEE countries. In assessing the tax competitiveness of Serbia in comparison to SEE countries, $F(2, 85) = 4.030$, $p = 0.021$, the size of the difference between different groups of foreign investors, where $\eta^2 = 0.086$ is determined, and as such represents a difference on a medium scale. Subsequent comparison through the *T-HSD* test (Table 10) found that there was a difference that was statistically significant between the groups of foreign investors whose business unit in Serbia ($M = 3.0000$, $SD = 0.00000$) represents a small business entity, and foreign investors whose business unit in Serbia ($M = 3.4000$, $SD = 0.57143$) represents a large business entity.

Table 10
Serbia's tax competitiveness in comparison to SEE countries

	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
In comparison to SEE countries	SBE	MBE	-0.36364	0.073	-0.7541	0.0268
		LBE	-0.40000	0.017	-0.7413	-0.0587
	MBE	SBE	0.36364	0.073	-0.0268	0.7541
		LBE	-0.03636	0.956	-0.3404	0.2676
	LBE	SBE	0.40000	0.017	0.0587	0.7413
		MBE	0.03636	0.956	-0.2676	0.3404

Note: * Statistically significant difference exists at $p < 0.05$

Source: authors' research.

Accordingly, foreign investors whose business unit in Serbia is a large business entity more favourably assessed the tax competitiveness of Serbia in relation to the foreign investors whose business unit in Serbia is a small business entity.

5) *The level of tax competitiveness of Serbia in relation to other countries from the viewpoint of the amount of foreign investment invested in Serbia*

Analysing the tax competitiveness of Serbia in relation to other countries from the viewpoint of the amount of foreign investment invested in Serbia

(up to 10 million euros, 11 to 100 million euros, 51 to 100 million euros or over 100 million euros), Table 11 presents the results of the ANOVA different group sizes.

Table 11
The level of tax competitiveness of Serbia in relation to other countries

		M (SD)	95% CIM		F	p*
			Lower	Upper		
In comparison to SEE countries	≤ 10 N = 25	3.2400 (0.43589)	3.0601	3.4199	1.644	0.185
	11 – 50 N = 36	3.3611 (0.48714)	3.1963	3.5259		
	51 – 100 N = 14	3.1429 (0.66299)	2.7601	3.5257		
	≥ 100 N = 13	3.5385 (0.51887)	3.2249	3.8520		
In comparison to EE countries	≤ 10 N = 25	3.3200 (0.74833)	3.0111	3.6289	0.711	0.548
	11 – 50 N = 36	3.3056 (0.66845)	3.0794	3.5317		
	51 – 100 N = 14	3.1429 (0.86444)	2.6437	3.6420		
	≥ 100 N = 13	3.5385 (0.51887)	3.2249	3.8520		
In comparison to other European countries	≤ 10 N = 25	3.4000 (0.50000)	3.1936	3.6064	1.223	0.306
	11 – 50 N = 36	3.3333 (0.47809)	3.1716	3.4951		
	51 – 100 N = 14	3.1429 (0.36314)	2.9332	3.3525		
	≥ 100 N = 13	3.4615 (0.51887)	3.1480	3.7751		
In global terms	≤ 10 N = 25	2.9200 (0.27689)	2.8057	3.0343	0.999	0.398
	11 – 50 N = 36	2.9444 (0.62994)	2.7313	3.1576		
	51 – 100 N = 14	2.8571 (0.36314)	2.6475	3.0668		
	≥ 100 N = 13	3.1538 (0.37553)	2.9269	3.3808		

Note: * Statistically significant difference exists at $p < 0.05$

Source: authors' research.

The ANOVA results showed no existence of statistically significant differences in evaluating the level of tax competitiveness of Serbia comparing to other countries. There was no statistically significant difference at the $p < 0.05$ level in assessing the degree of tax competitiveness of Serbia in relation to the countries of SEE, EE, all other European countries and globally, neither between foreign investors investing up to 10 million euros, those investing from 11 to 50 million euros, the ones investing from 51 to 100 million euros, nor those who invested over 100 million euros in Serbia.

CONCLUSION

Global trends in capital movements, with the increasing amount of investment, indicate the very high importance of foreign investment for each country, since they can most often contribute to the growing development of the national economy of that country. Attracting foreign investment for most countries is a necessary condition for stable economic growth and development. Bearing in mind all the advantages that a country obtains through the inflow of FDI, tax policy makers constantly review the tax policies to make sure that the country is attractive to foreign investment. The increased level of competition between countries contributes to the creation of a tax system that is attractive to foreign investors. This can be achieved if the tax system is simple, transparent and in line with the international standards prescribed in this field.

In a situation where the state tries to attract as much foreign investment as possible, it is important to provide appropriate measures in the field of tax policy, since this will achieve greater competitiveness in the capital market. The state, on the one hand, strives to provide an optimal model of fostering investment through various fiscal policy measures, and, on the other hand, does not want to undermine the neutrality and consistency of the tax system. Therefore, the interest of most European countries is to attract foreign investment, given that they can significantly influence the economic growth and development over a certain period. One of the primary tasks of each country is to provide suitable conditions for investing foreign capital, since it will then be in a position to be competitive and therefore interesting as an investment destination for a foreign investor. One of the key steps of every country in the process of attracting foreign investment is to formulate a strategy and determine the goals it wants to achieve. The strategy has to be efficient, as it will provide the best conditions for foreign investors and their investment.

After performing the empirical research, it can be concluded that Serbia does not lag behind in terms of tax competitiveness, whether it is comparable with the countries of South East Europe, Eastern Europe, other European countries or globally. However, in the future, it is very important to apply a holistic approach to the implementation of activities in the field of tax competition, which can improve the competitive position of Serbia. This will undoubtedly have a significant impact on the greater inflow of foreign investments and thus the creation of an even better image of Serbia as an attractive investment destination.

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