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State analysis of tax systems and tax accounting of individual EU countries

Jayhul Ismail[1]
Postgraduate student
Zhytomyr State Polytechnic University

Abstract

The study shows that the tax systems of the European Union countries have common features and significant differences due to the economic, social and historical characteristics of each state. They are aimed at ensuring sustainable economic development, financing public services and supporting social welfare. Tax accounting and administration in EU countries demonstrates a variety of approaches to the formation of the tax base, rates and collection mechanisms. Some countries, such as Finland, use a progressive taxation scale for individuals, while others, such as Estonia, prefer proportional rates. Differences in corporate tax levels also reflect different models of business incentives and investment attraction.

It is important to note the trend towards harmonisation of tax rules within the EU to ensure transparency and competitiveness of economies. At the same time, double taxation avoidance mechanisms and tax incentives are tools that facilitate the integration of EU countries into the global economy. Despite their complexity and differences, the EU tax systems remain factors of balanced economic growth, support for innovation, environmental initiatives and social protection. Understanding their features and current changes is important for businesses operating within the European Union. Another important aspect is the impact of digitalisation and automation of tax administration processes, which significantly increases the efficiency of tax collection and reduces opportunities for evasion. The growing focus on sustainable development is prompting EU countries to introduce environmental taxes, which are becoming a key tool in the fight against climate change and contribute to the formation of a green economy.

Keywords: tax system, tax accounting, fiscal policy, European Union, harmonization taxation, tax base, tax transparency, tax administration, digitalisation of tax processes, EU tax standards, personal income tax, value added tax, corporate tax.

1. Introduction

The current state of the tax systems of individual EU countries is a subject of special attention, as it plays a crucial role in ensuring economic stability, social justice and environmental sustainability of the Commonwealth of States. Each EU country has its own unique features and challenges that affect the tax system structure and efficiency. An analysis of the state of the individual EU countries' tax systems will enable to understand the ways new reforms are implemented to improve the tax systems and respond to new economic and social challenges.

European tax systems are trying to balance budget requirements after the pandemic and energy crisis, as well as to meet the challenges of an ageing population, digitalisation and climate change. Significant attention is being paid to reducing aggressive tax planning and ensuring compliance with tax laws. Environmental taxes and measures to reduce tax exemptions, especially for large corporations, are becoming increasingly important alongside traditional labour and consumption taxes. All these initiatives are aimed at creating simple, transparent and stable tax systems that promote innovation, productivity and economic growth in an environment of heightened geopolitical tensions. According to the latest taxation report for 2024, the average tax burden in EU countries constitutes 40.2 % of GDP. The highest level of tax revenues is recorded in France (46.2 % of GDP), while Ireland has the lowest level (20.9 % of GDP) [1].

Corresponding author:

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2. Literature review

Research by M.Voloshchuk et al. shows that EU member states do not have a single tax system, but there are attempts to harmonise tax policy on indirect taxes and to bring direct tax legislation closer together. There are two areas of development in the EU tax policy: support for tax competition, including the use of low effective tax rates and the creation of favourable tax conditions to attract investment and business activity; and harmonisation of tax systems [2]. However, full harmonisation is not always beneficial for EU member states. According to J. Arnold, the role of national banks in the EU is limited, so taxes remain the only instrument of influence on the economy. Some EU countries with traditionally high tax rates could lose a significant portion of their budget revenues under harmonisation, which would lead to a reduction in budget expenditures [3].

Instead, according to R. Teaser, tax competition contributes to lower tax rates and economic liberalisation. However, lower rates do not always lead to a decrease in tax revenues and may, on the contrary, increase budget revenues. At the same time, tax competition does not ensure efficient allocation of resources if the market does not work properly, as taxpayers will look for a country with favourable tax conditions to receive public services [4]. In this context, an important role is played by the institutional framework of taxation, which defines the rules, principles and mechanisms that ensure the effective functioning of tax systems and their adaptation to the economic conditions of the country. Insufficient coverage of this issue in the scientific literature indicates the need to study and address it.

3. Identification of previously unresolved issues and formulation of hypotheses research

The peculiarity of the EU tax system lies in the need, on the one hand, to ensure sufficient revenues to replenish the national budget of each EU member state, and, on the other hand, to avoid imbalances in the levels of tax revenues between individual EU members. In addition, each member state has to take into account the specifics of its economy and social needs when developing its tax policy, which adds to the complexity of the process of harmonising tax systems within the Union. Following the common European principles, each country develops its own tax policy based on its own priorities and interests, which indicates the need for a state analysis of tax systems and tax accounting in individual EU countries.

4. Purpose, objectives and methods of the study

The purpose of the article is to provide a theoretical and methodological substantiation of the peculiarities of functioning of the tax systems of the EU countries. The research was conducted on the basis of a systematic approach to the study of economic phenomena and processes. To solve certain tasks, the following methods were used: system analysis; comparative analysis; induction and deduction - to formulate conclusions and recommendations on the issues under study; tabular and graphical - to visualise the results obtained.

5. Presentation of the main material and scientific results

The size of the corporate income tax rate in the EU countries varies considerably, which affects the decision of enterprises to locate their facilities. VAT rates differ as well, and there exist differences in the taxation of personal income (table 1).

Denmark is known for its strict taxation system, which, due to its high tax rates, allows financing social infrastructure and providing quality public services in spheres of healthcare and education. The main elements of the tax system include personal income tax, corporate tax and a number of indirect taxes. The personal income tax system is progressive, meaning that the higher the income, the higher the tax rate is. The maximum personal income tax rate is 52.06 % in 2024, together with the additional pension tax (AM tax) it reaches 55.89 %. Taxes are levied on the following types of income: salaries, pensions, profit of self-employed individuals, as well as dividends and interest from securities ownership. The system has many opportunities for discounts and deductions, helping to reduce the overall tax burden. The corporate tax in Denmark is set at 22 %, which is lower compared to many other EU countries. Denmark also avoids double taxation for companies with overseas branches, which makes the country attractive for business [6].

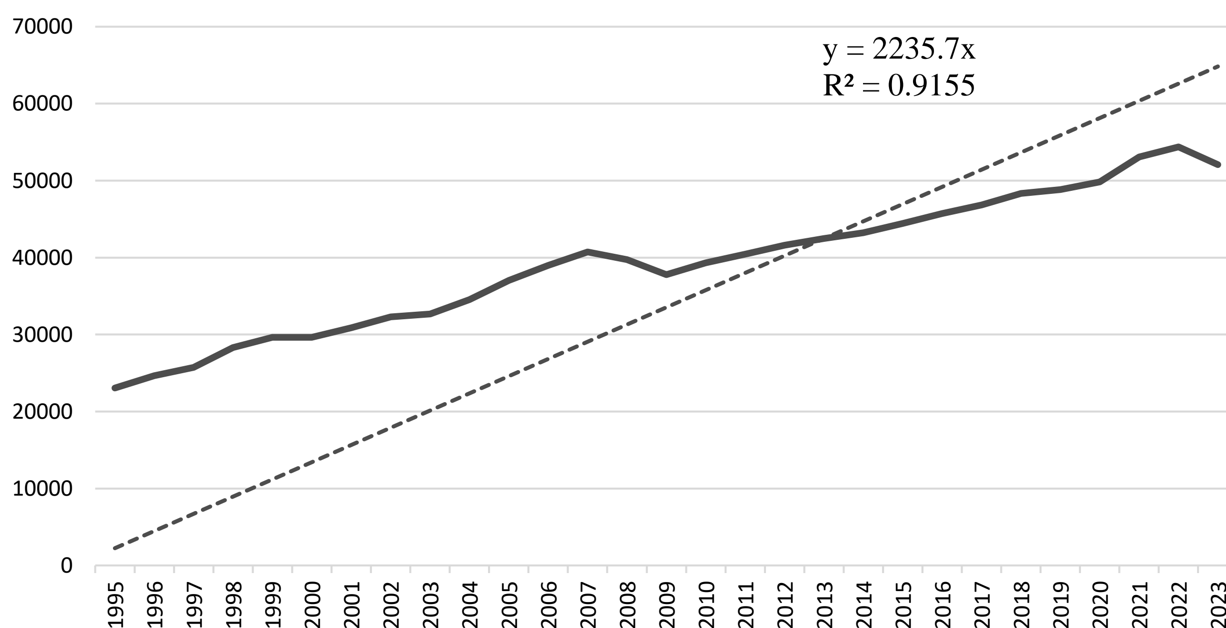
Indirect taxes account for a significant portion of the country's revenues, with revenues coming from the 25 % value added tax (VAT), excise and customs duties. In Denmark, VAT is included in the price of almost all goods and is also levied on services, such as bicycle or car repairs, hairdressing, etc. Goods subject to excise duty include wine and beer, batteries, chocolate, sweets and soft drinks. Another relevant issue for Denmark is the so-called "Green" taxes, which are levied for the use of society's resources. The more resources you use, the more green taxes you will have to pay. The idea is to make citizens limit their consumption and thus preserve natural resources. For instance, green taxes are levied on petrol, oil, electricity, water and wastes. If the price of petrol increases, people will drive less, and it will limit the environmental impact. Lower green taxes are imposed on environmentally friendly cars, which are less polluting and more fuel efficient.

Taxes in Denmark are administered through automatic withholding from employees' salaries by employers. Foreigners are required to obtain a tax card to work in the country, otherwise the maximum tax rate will be deducted. Although tax rates in Denmark are among the highest in the world, this is offset by access to quality public services and a high level of social security [6].

Table 1
Rate of key budget-forming taxes in 10 EU countries, %

№	Country	VAT	Income tax	Personal income tax (total annual income)
1	Denmark	25	22	up to DKK 549,900 – 8 %, DKK 549,901 - DKK 849,000 – 22 %, over DKK 849,000 – 52.06 %
2	France	20	28 maximum rate	up to EUR 10,777 – 0 %, EUR 10,777 - EUR 27,478 – 11 %, EUR 27,478 - EUR 78,570 – 30 %, EUR 78,570 - EUR 168,994 – 41 %, over EUR 168,994 – 45 %
3	Austria	20	24	up to EUR 11,000 – 0 %, EUR 11,001 - EUR 18,000 – 20 %, EUR 18,001 - EUR 31,000 – 32.5%, EUR 31,001 - EUR 60,000 – 42 %, EUR 60,001 - EUR 90,000 – 48 %, EUR 90,001 - EUR 1,000,000 – 50 %, over EUR 1,000,000 – 55 %
4	Spain	21	25	up to EUR 12,450 – 9.5 %, EUR 12,450 - EUR 20,200 – 12 %, EUR 20,200 - EUR 35,200 – 15 %, EUR 25,200 - EUR 60,000 – 18.5 %, EUR 60,000 - EUR 300,000 – 22.5 % over EUR 30,000 – 24.5 % (24 % for non-residents)
5	Belgium	21	25	up to EUR 15,200 – 25 %, EUR 15,200.01 - EUR 26,830 – 40 %, EUR 26,830.01 - EUR 46,440 – 45 %, over EUR 46,440.01 – 50 %
6	The Netherlands	21	25,8	up to EUR 37,149 – 9.28 %, EUR 37,149 - EUR 73,031– 36.93 %, over EUR 73,031 – 49.5 %
7	Greece	24	22	up to EUR 10,000 – 9 %, EUR 10,001 - EUR 30,000 – 22 %, over EUR 30,000 – 28 %
8	Poland	23	19	up to EUR 26,146.6391– 12 %, over EUR 26,146.6391– 35 %
9	Slovakia	20	21	19
10	Estonia	20	20	20

Source: depicted based on [5]

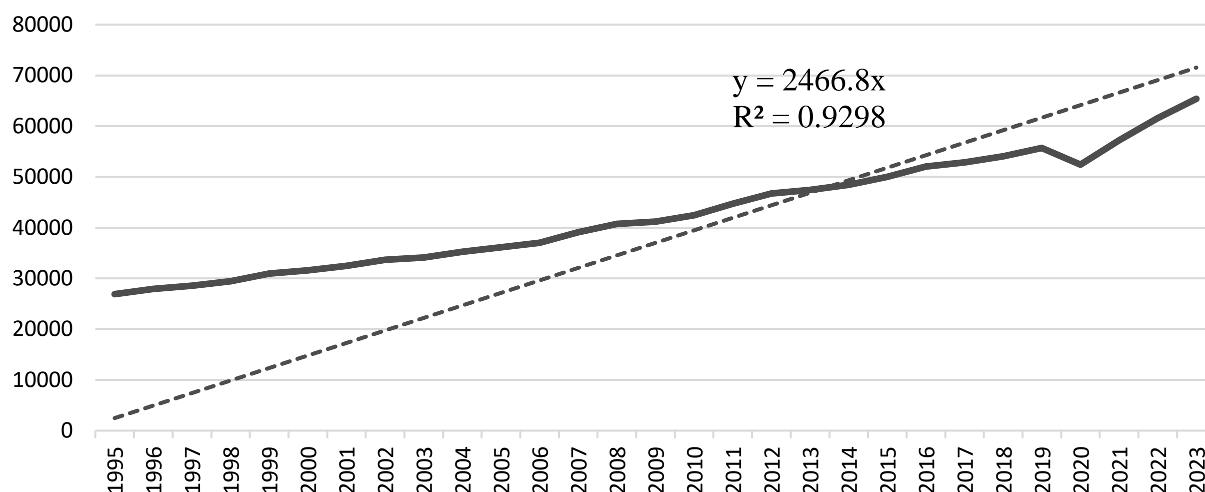


Source: depicted based on [7]

Fig. 1. Dynamics of revenues from levying taxes on production and imports to the Danish budget, EUR million

Tax revenues from production and imports in Denmark increased from EUR 23,050.4 million in 1995 to EUR 52,062.6 million in 2023, which ensures the country's stable economic growth (Fig. 1). The maximum revenue indices of EUR 54,383.2 million were reached in 2022, that indicates to effective tax administration, positive changes in the country's tax legislation and increased economic activity of producers. The average revenue of EUR 39,183.414 million and the high coefficient of determination (0.9155) prove the long-term predictability and stability of the Danish tax system, although the standard deviation (EUR 8,681.065 million) indicates the variability of tax revenues over the period under study. Overall, Denmark demonstrates the ability to adapt its tax policy to economic challenges, ensuring sustainable development, financial stability and support for social initiatives.

The Austrian tax system is characterised by progressive personal income tax rates that vary from 20 to 55 % depending on the amount of income, a significant role of social contributions and a variety of additional taxes. Social insurance contributions are mandatory for both employees and employers. They include pension insurance (up to 22.8 % for employees), sickness insurance (around 7.65 %) and unemployment insurance (6 %). Employees also pay contributions to the Chamber of Labour (0.5 % of gross income) and housing contributions (1 %). Corporate tax is levied on company profits, with a minimum level depending on the company type. For instance, a corporate tax for a GmbH (equivalent to LLC) equals to EUR 1,750 per year. The standard rate of value added tax (VAT) is 20 %, with reduced rates of 13 % and 10 % applicable to certain goods and services, such as food, medical goods and tourism services. Real estate sales tax has a standard rate of 3.5 % on the value of real estate, but for sales between relatives the rate is 2 %. The inheritance and gift tax has been abolished, but there is a property transfer tax in case of its sale [8].



Source: depicted based on [7]

Fig. 2. Dynamics of revenues to the Austrian budget from levying taxes on production and import, EUR million

Analysing the indices of Austria's budget revenues from production and import taxes for the period from 1995 to 2023, several important conclusions can be drawn (Fig. 2). Due to the country's economic growth, increased tax collection efficiency, as well as positive changes in tax legislation the revenues increased from EUR 26,897.6 million in 1995 to EUR 65,393.8 million in 2023. The average value of tax revenues for the period analysed is EUR 42,619.541 million. The figures indicate to the gradual increase in revenues, and the average level of tax revenues was quite high. The standard deviation of EUR 10,687.336 million indicates some fluctuations in annual revenues, which may be due to economic cycles, changes in tax policy or other external factors.

The French taxation system is characterised by mandatory tax obligations, and social orientation, benefits and a clear system of discounts simultaneously. All taxes in France are divided into 3 groups:

- income taxes (including income tax paid by individuals, corporate income tax, and luxury tax);
- expenditure taxes (VAT and excise duties);
- local taxes (tax on land without buildings, tax on land with buildings, estate tax [9].

According to the French Law on Finance, France has a progressive personal income tax rate. In particular, if the total annual taxable income of an individual is up to EUR 10,084, then a 0 % tax rate is applied, in the range from EUR 10,084 to EUR 25,710 – 11 % respectively, from EUR 25,710 to EUR 73,516 – 30 %, from EUR 73,516 to EUR 158,122 – 41 %, from EUR 158,122 – 45 %. The income tax rate for non-resident individuals in France is 0 % in case the total annual income does not exceed EUR 15,018, 12 % (8 % for overseas departments) in case the total annual income is between EUR 15,018 and EUR 43,563, and 20 % (14.4 % for overseas departments) if it is over EUR 43,563 [10].

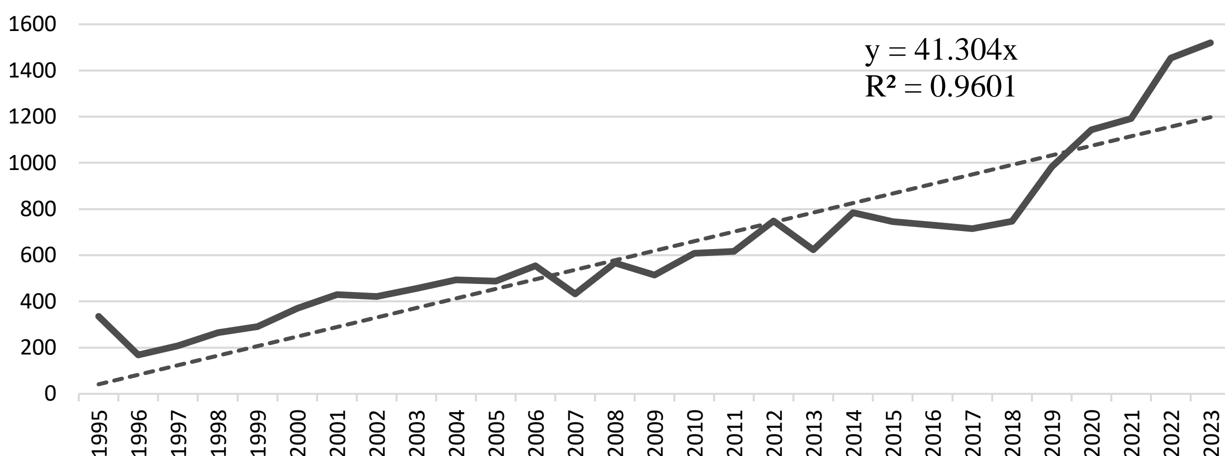
The amount of tax on the acquisition and registration of real estate depends on the type of property: for real estate objects older than 5 years, it is about 8 %, and for properties less than 5 years old, it is about 4 % of the value. New buildings are exempt from tax for 2 years. This category also includes rebuilt premises intended for residential or commercial use. Real estate tax is levied on the owner or lessee of real estate, and the amount of payment depends on the rental cadastral value of the property. The estate tax depends on the amount of the taxpayer's income (this tax is paid by both owners and tenants) and the value of the

property. Commercial property owners are exempt from estate tax in France. The property tax is payable in case the capital in France (real estate and bank funds) exceeds EUR 700,000. The tax rate is 0.55–1.80 % of the property value and is paid annually. Capital gains tax on the resale of property in France is levied on the difference in value. If the sale takes place in the first year after the purchase, the tax rate is about 33 %, and it decreases every year [10].

Taxes for legal entities in France primarily consist of corporate income tax, which is based on profits. The Law of France on Finance (2024) implements Council Directive (EU) 2022/2523 of 14 December 2022 to ensure a minimum level of taxation (15 %) for multinational companies and large internal groups of companies within the EU with a consolidated turnover of EUR 750 million or more in at least two of the four preceding financial years. The GloBE Information Return (GIR) must be filed within 15 months after the end of the financial year. Late submission of the GIR or failure to submit it will result in a fine of EUR 100,000 [11].

Indirect taxes to the French budget have a significant impact on the state economic stability and financial capacity. They include general sales taxes, such as VAT, as well as excise taxes on certain goods, such as fuel, alcohol and tobacco. With these revenues, the government can finance social programmes, infrastructure projects and other important initiatives that contribute to the general welfare of the population.

During 1995-2023, sales tax revenues to the French budget showed significant fluctuations from a decrease in revenues in 1996 (EUR 168,4 million) to a gradual increase in subsequent years (Fig. 3).



Source: depicted based on [7]

Fig. 3. Dynamics of sales tax revenues to the French budget, EUR million

Since 2005, there has been a steady increase in sales tax revenues to the French budget, although fluctuations are still significant. For example, in 2007, revenues decreased to EUR 432 million, but in 2008 they increased to EUR 567,4 million. A significant increase in tax revenues is observed in 2019 (EUR 982 million) and continues until 2020 (EUR 1,144 million), which may be due to the impact of the COVID-19 pandemic and economic support measures that have increased tax revenues. Recent years have shown a steady and considerable growth in this type of revenue, indicating to the improvement of economic situation and the effectiveness of tax policy.

France's Law on Finance (2024) provides for a tax credit to stimulate investment in the industry green sector. The new tax credit is only available to industrial and commercial companies that meet certain criteria. For example, in order to meet the requirements, a company must commit to making the relevant investments in France for at least 5 years and not to relocate its activities outside France for at least 5 years. Depending on the location of the investments, the tax credit rate will range from 20 to 40 % of the investment. These rates are increased by 10 percentage points (i.e. from 30 to 50 %) for investments made by medium-sized enterprises and by 20 percentage points (i.e. 40 to 60 %) for investments made by small enterprises. Total amount of tax credit is limited to EUR 150 million per enterprise. The tax credit is included in the company's corporate income tax for the financial year during which the relevant investment was acquired. The unused tax credit is refundable [10].

Thus, the French taxation system is distinguished by mandatory and social orientation, flexible systems of benefits and discounts. The main categories of taxes in France include income taxes, expenditure taxes and local taxes. Personal income is taxed on a progressive scale depending on the total annual income at tax rates ranging from 0 to 45 %. Real estate is taxed depending on its age and type at rates ranging from 4 to 8 %, and new constructions are exempt for 2 years. The main tax for legal entities is corporate income tax. Since 2024, France has been implementing the EU Directive on ensuring a minimum level of taxation (15 %) for large multinational companies and groups of enterprises. In addition, granting a tax credit is envisaged to stimulate investment in the industry green sector. Overall, the French tax system creates conditions for socially oriented development and stimulation of investments in sustainable development.

Luxembourg is a small, but one of the richest countries in the EU. In Luxembourg, personal income taxation is primarily based on the residency status. Residents' income subject to tax in case the sources of this income is of worldwide origin, while non-residents pay tax on income derived from sources within Luxembourg. The determination of residence status depends on various factors, including physical presence, permanent residence, etc.

Luxembourg has a progressive personal income taxation scale with tax rates ranging from 0 to 42 %. Tax groups are periodically adjusted taking into account inflation. The taxable income includes salaries, rental income, dividends, capital gains and other sources. The following exemptions or discounts are available to the residents: exemptions for dependent family members, mortgage interest and professional expenses. Expatriates may benefit from special tax regimes, for example, when they work as highly skilled workers or researchers [12].

Mandatory social insurance contributions are an essential tax item for employees. The contribution rate for sickness constitutes 2.8 %, and for pension accrual, it is 8 % of the total income. Additionally, the so-called child maintenance contribution, which is set at a fixed rate of 1.4 %, is paid in Luxembourg. The child maintenance contribution in Luxembourg is generally used to fund social programs and services that provide support to children and families. The main objectives include financing schools and educational programs for children, ensuring access to medical services for children and mothers, supporting low-income families, and funding kindergartens and preschool institutions. Overall, this contribution helps ensure the welfare and development of children in Luxembourg by providing them with access to essential services and resources [13].

The progressive scale of personal income taxation applicable in Luxembourg is illustrated in Table 2. In case the employer provides the employee with a house or apartment, he pays at least 75 % of the rent; if he also provides furniture for the dwelling, the value of the assistance increases by 10 %. If the employer pays electricity bills and other charges, they should be added to the payment at their nominal value. In case the employee rents a house or apartment and pays the rent, the rent reimbursement by the employer is fully taxed as remuneration. A number of items, such as savings on debit interest for a loan with a reduced or zero interest rate provided by the employer (within certain limits), and additional salary for overtime payments under certain conditions, are exempt from taxation [13].

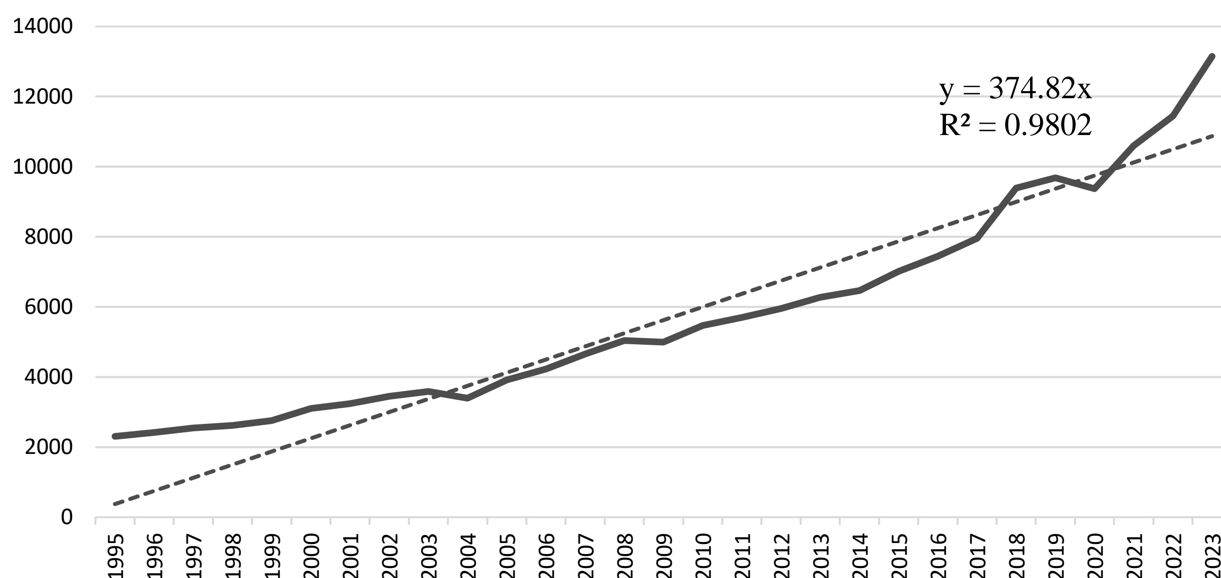
Table 2
Progressive scale of taxation of resident income in Luxembourg

Personal income tax (total annual income), EUR	**Progressive tax rate, %**
from 0 to 11,265	0
from 11,265 to 13,173	8
from 13,173 to 15,081	10
from 15,081 to 16,989	12
from 16,989 to 18,897	14
from 18,897 to 20,805	16
from 20,805 to 22,713	18
from 22,713 to 24,621	20
from 24,621 to 26,529	22
from 26,529 to 28,437	24
from 28,437 to 30,345	26
from 30,345 to 32,253	2
from 32,253 to 34,161	30
from 34,161 to 36,069	32
from 36,069 to 37,977	34
from 37,977 to 39,885	36
from 39,885 to 41,793	38
from 41,793 to 100,000	39
Over 100,000	40
Luxury tax	9 % for individuals earning over 150,000 euros

Source: depicted based on [12]

Luxembourg taxes the income of resident legal entities on a worldwide source basis, while non-residents are taxed only on income sourced from Luxembourg. Enterprises with taxable income of less than EUR 175,000 pay corporate income tax at a rate of 15 %. Enterprises with taxable income between EUR 175,000 and EUR 200,001 are subject to income tax calculated as follows: EUR 26,250 plus 31 % of the tax base exceeding EUR 175,000. The corporate income tax rate is 17 % for companies with taxable income exceeding EUR 200,001, resulting in an overall tax rate of 24.94 % in the city of Luxembourg (considering a solidarity surtax of 7 % to the income tax rate and including 6.75 % municipal business tax applicable rate) [14].

Corporate taxation in Luxembourg is known for its attractiveness to many international companies. Luxembourg has one of the lowest corporate income tax rates in Europe, which is 21 % (Fig. 4).



Source: depicted based on [14]

Fig. 4. Dynamics of corporate tax revenues to the budget of Luxembourg, EUR million

The analysis of the dynamics of corporate tax revenues to Luxembourg budget for the period from 1995 to 2023 demonstrates significant and stable growth. In 1995, revenues amounted to 2306 million euros, and by 2023, they reached 13,147 million euros. Although the overall tendency is upward and a considerable increase was recorded in 2008 (5039 million euros), a slight decline occurred in 2009 (4991.2 million euros), which may have been influenced by the global financial crisis. The use of a three-year moving average allows to mitigate these short-term fluctuations and reflect the long-term tendency more clearly. For example, in 1995–1997, the average value was 2423.13 million euros, while in 2021–2023, this figure amounted to 12,582 million euros. The high coefficient of determination (R^2 = 0.9155) confirms that approximately 91.55 % of the changes in revenues can be explained by the time trend, indicating predictability and stability of growth.

Analysing the dynamics of corporate tax revenues to Luxembourg budget, it is important to pay attention to the role of external and internal factors that have influenced their stable growth. A substantial part of this growth can be explained by the development of the country's financial sector, as Luxembourg is one of Europe's leading financial centres specializing in international banking and investment services. Thus, during periods of global economic stability, the country's fiscal base expanded due to attracted foreign investments and increased profitability of the corporate sector. At the same time, during periods of financial crises, as the crisis of 2008–2009, tax revenues demonstrated moderate levels, indicating to the high resilience of Luxembourg's economic system.

The effective tax policy of the state is also of significant importance. Luxembourg uses business-attractive tax rates and offers favourable conditions for specific sectors, such as financial services, which encourage companies to choose this jurisdiction for their headquarters (Table 3). Stable macroeconomic policy and investments in infrastructure create a favourable environment for economic growth and, consequently, corporate tax revenues. Thus, the continuous growth of corporate tax revenues is a testament to Luxembourg sustainable economic development. The analysis of corporate tax revenues to the budget also emphasizes the importance of maintaining financial stability, developing the tax base, and adapting tax policy to changes in the global economic environment to preserve positive dynamics in the future.

Table 3
International comparison of corporate taxation

№	Indicator	Luxembourg	The USA	Germany
1	Number of tax payments per year, units	23	11	9
2	Time required for paper reporting, days	59	175	207
3	Profit tax, %	21.0	46.7	46.8

Source: depicted based on [14]

In Luxembourg, VAT is charged at a standard rate of 17 % (the lowest VAT rate in the EU). A reduced VAT rate of 3 % is applied to food, books, medicines, admission tickets to cultural events, hotels and restaurants. A rate of 6 % is applied to bicycles. A rate of 12 % is applied to advertising brochures and other printed materials, heating and cooling, wines with an alcohol concentration up to 13 degrees. Exports are exempt from VAT. Some services (financial, medical, real estate) are also exempt

from VAT. VAT returns must be submitted monthly (as well as the final annual return). The VAT authorities have made it mandatory to carry out a standard tax audit (SAF-T) containing reliable accounting data.

Thus, the tax system in Luxembourg is progressive and socially oriented. The personal income tax rate ranges from 0 to 42 %, with benefits available for residents. Corporate taxation is set at 21 % with numerous tax incentives that attract international companies. VAT is set at a standard rate of 17 %, with reduced rates from 3 to 12 % for certain goods and services. Mandatory social contributions, including child maintenance contribution, provide social support and fund educational and medical services. The luxury tax is set at 9 % for the individuals earning over 150,000 euros. It has been proven that this tax system contributes to the population social protection and creates favorable conditions for international companies owing to low tax rates and incentives.

Taxes in Finland are slightly higher compared to the European taxes. Currently there is a tendency towards reducing tax deductions and their aligning with average European rates. All changes in Finland's tax legislation are communicated to taxpayers in advance, allowing them to adapt to the new conditions. The corporate income tax in Finland is an important component of the tax system and a key source of state revenues, which is directed to financing public services such as healthcare, education, transportation, and social protection. It is levied on the profits of companies conducting business activities within Finland and provides a stable base for the country's economic development.

As of 2023, Finland has a single corporate tax rate of 20 %, making it competitive among EU countries. This rate is applied to all types of enterprises, including limited liability companies and cooperatives. At the same time, there are tax incentives and deductions to support certain sectors, such as technology and innovation, which help attract investments and foster business development. Foreign companies earning income in Finland are also subject to taxation according to local laws. Compliance with tax requirements is important to avoid penalties and other negative consequences.

In recent years, Finland's government has reduced the corporate tax rate from 24.5 to 20 %, thereby stimulating economic growth and attracting foreign investors. Compared to other Scandinavian countries, the corporate tax rate in Finland remains lower than in Denmark or Norway (22 %) and is almost equal to Sweden's (20.6 %). At the same time, companies operating in Finland can deduct operational expenses, investments in equipment, research and development costs, and incentives for environmental initiatives, which are not included in the total taxable income. Additionally, special support programs for startups and small businesses that allow for a reduction in the tax burden at the initial stages of development are provided.

The process of submitting corporate tax returns is regulated by strict deadlines and requires accurate reflection of all financial transactions. Typically, the return is submitted by the end of the fourth month after the financial year ends. Advance payments are made throughout the year in several stages, and the final settlement is conducted after the reporting period ends. Finnish tax authorities may conduct audits to verify that companiesє reporting documentation complies with tax requirements. Maintaining accurate accounting, organized financial documentation, and timely submission of reports help reduce the risks of discrepancies and avoid penalties. Overall, the corporate taxation system in Finland is aimed to ensure a balance between stimulating the economy and collecting the revenues necessary to support social services and the country's development.

Understanding the process of submitting corporate tax returns in Finland is crucial for companies operating in the country. The first step in this process is the preparation of financial statements in accordance with Finnish accounting standards. These statements include the balance sheet, income statement, and statement reflecting the financial position and results of the company's activities. These documents are the basis for determining taxable income. The deadline for submitting tax returns depends on the company's financial year, but it is usually considered to be the fourth month after its end. For example, if the financial year ends on December 31, the return should be submitted by April 30 of the following year. To avoid penalties, companies must adhere to these deadlines.

All declarations are submitted through the official form provided by the Finnish Tax Administration. This form is available electronically through an online service, which significantly simplifies the process. When filling it out, it is important to accurately specify income, expenses, and tax deductions to avoid discrepancies that could lead to an audit. It is also worth considering potential errors, such as incorrect classification of expenses or insufficient documentary evidence. Engaging tax consultants and maintaining organized accounting help ensure compliance with regulations and reduce risks associated with tax audits. This not only helps companies submit their reports on time but also optimizes tax expenses, avoiding legal complications.

The Finnish corporate tax system provides for advance payments based on the projected annual income. These payments are usually divided into three parts, which are paid in February, May, and November. This approach enables businesses to evenly distribute their obligations throughout the year. After the financial year ends, a final tax calculation is conducted. In case of discrepancies between advance payments and actual income, the company must pay additional tax or receive a refund of overpaid amounts. It is important to accurately assess taxable income to avoid financial discrepancies. Penalties for late payments or statements submitting can be significant. They include a monthly penalty of 1 % of the unpaid tax amount, which can be accumulated until the debt is fully repaid. Therefore, companies should maintain a clear financial calendar to meet deadlines and avoid unnecessary costs [15].

The Finnish Tax Administration (Vero) conducts regular audits to verify the compliance of companies' reporting with tax legislation. The audits can be planned or initiated due to the discrepancies identified. Maintaining accurate records, documenting all transactions, and regular reviewing internal financial reports are essential to prepare for an audit. The audit process includes analysing financial documentation, interviewing staff, and verifying statements. After the audit, the company receives findings that may indicate either the absence of issues or the need to pay fines for violations. Transparency and accuracy in financial reporting help avoid serious consequences, including financial penalties or loss of reputation [16].

Finland has a wide network of double taxation treaties (DTT) that regulate the procedure of taxing the income earned by multinational corporations. These treaties determine which country has the right to tax certain types of income, reducing the risk

of double taxation. Businesses operating internationally can take advantage of reduced tax rates on payments such as dividends, interests, or royalties, in accordance with DTT. This allows for a reduction in the overall tax burden and promotes the attraction of investments into the Finnish economy [15].

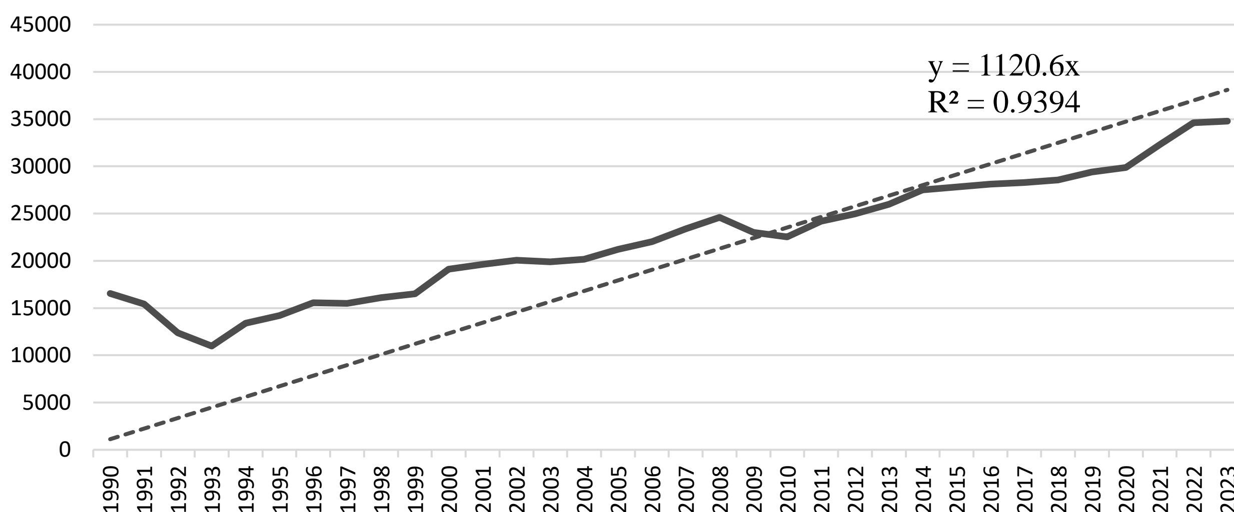
The progressive personal income tax scale in Finland is aimed at achieving social justice and funding a wide range of public services. The system involves an increase in the tax rate depending on the level of income (Table 4) [17].

Table 4
Progressive personal income tax scale in Finland

Taxable income, EUR	**Tax amount at the lower limit, EUR**	**Tax rate on the part of income exceeding the lower limit, %**
From 0 to 20,500	0.00	12.64
20,500 to 30,500	2,591.20	19.00
30,500 to 50,400	4,491.20	30.25
50,400 to 88,200	10,510.95	34.00
88,200 to 150,000	23,362.95	42.00

Source: depicted based on [17]

The progressive personal income tax system in Finland has proven its effectiveness by ensuring an increase in tax revenues from collecting this tax in the period of 1990–2022 by more than 3.5 times (Fig. 5). During the period from 1990 to 2023, tax revenues from personal income to the Finnish budget have shown steady growth from 16,557.6 million euros in 1990 to 34,788 million euros in 2023, indicating a gradual increase in economic activity and the efficiency of tax collection. The coefficient of determination $R^2 = 0.9155$ indicates that approximately 91.55 % of the changes in tax revenues can be explained by the time factor. The high R^2 confirms that the overall increase in revenues is stable and predictable.



Source: depicted based on [7]

Fig. 5. Dynamics of personal income tax revenues in Finland, EUR million

Social contributions, such as retirement contributions and unemployment insurance contributions, are also a part of Finland's tax system. Retirement insurance contributions amount to 7.15 % for individuals under 53 years old and over 63 years old, and 8.65 % for individuals aged 53–62. The result of such a system is funding free healthcare, education, infrastructure, and social programs. The system is an effective mechanism for combating inequality and ensuring a high living standard [17]. Therefore, Finland's tax system aims to maintain a balance between stimulating economic growth and ensuring revenue for funding social needs. It is predictable, transparent, and competitive, making the country attractive for business, innovation, and international investment.

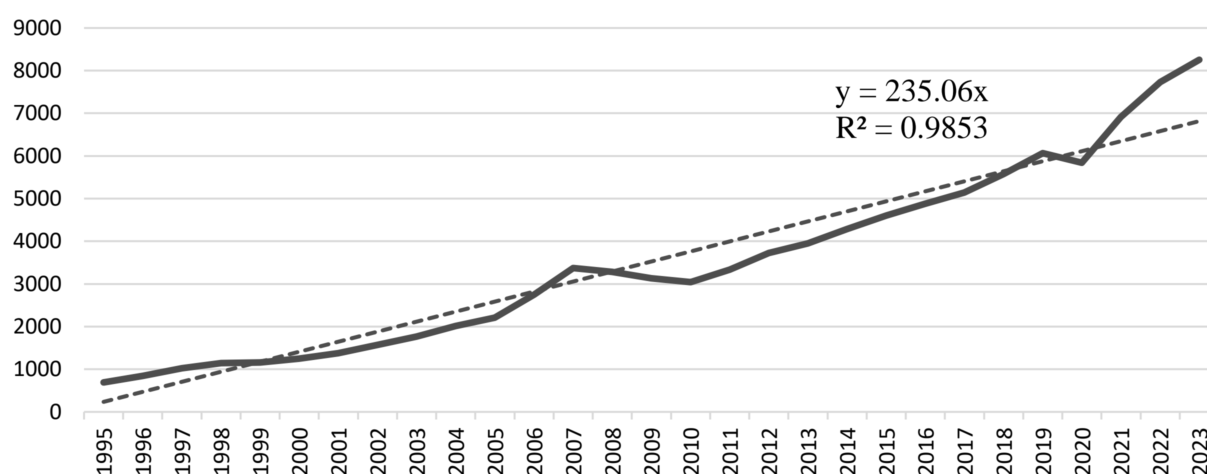
The taxation system of Estonia, according to tax legislation, consists of state and local taxes. The framework law for the establishment and collection of taxes, as well as some state fees, is the Taxation Act, which defines the rights and obligations of the tax authority and the taxpayer in determining the amount of tax liability and collecting taxes. It also provides the tax authority with a general basis for cooperation with the tax authorities of other countries, regulating liability for tax violations [18].

The difference between local and state taxes in Estonia is that the volost or city council has the right to introduce them at its sole discretion within its territory. They are established in accordance with the Local Taxes Act. The local taxes include advertising tax, motor vehicle tax, animal maintenance tax, entertainment tax, parking tax, etc. All tax revenues are directed to the budgets of local governments, but their share is rather small compared to state taxes. The animal maintenance tax, entertainment tax, and vehicle tax are currently not levied by any local government. The main sources of income for cities and municipalities are revenues from state taxes (income tax and land tax) and from the equalization and support fund. The purpose

of introducing local taxes is not necessarily collecting funds to the budget. For example, the advertising tax was introduced to arrange the cities' looks [18].

The corporate income tax in Estonia occupies an important place in the country's fiscal policy due to its unique structure. It is used to tax only distributed profits, encouraging companies to reinvest funds into business development, which, in its turn, contributes to economic growth. This innovative approach creates favourable conditions for enterprises and distinguishes Estonia from other countries where all earned profits are taxed regardless of their distribution. The system's key features involve taxing only distributed profits at a standard rate of 20 %, allowing companies to postpone tax liabilities and stimulating reinvestments in business development, research, and innovation. A single tax rate simplifies tax calculations and ensures transparency, maintaining predictability for long-term financial planning [18]. Estonia operates a proportional personal income tax system with a single tax rate. As of the latest available data, the personal income tax rate is 20 %. There are also non-taxable minimum incomes, which vary depending on the total annual income.

Analysing the dynamics of total tax revenues to the Estonian budget from 1995 to 2023, we can observe their steady growth from 690.8 million euros in 1995 to 8,254.5 million euros in 2023. These data indicate to the country's stable economic development, an effective tax system, and tax base expansion (Fig. 6).



Source: depicted based on [7]

Fig. 6. Dynamics of the total amount of tax revenues to the budget of Estonia, EUR million

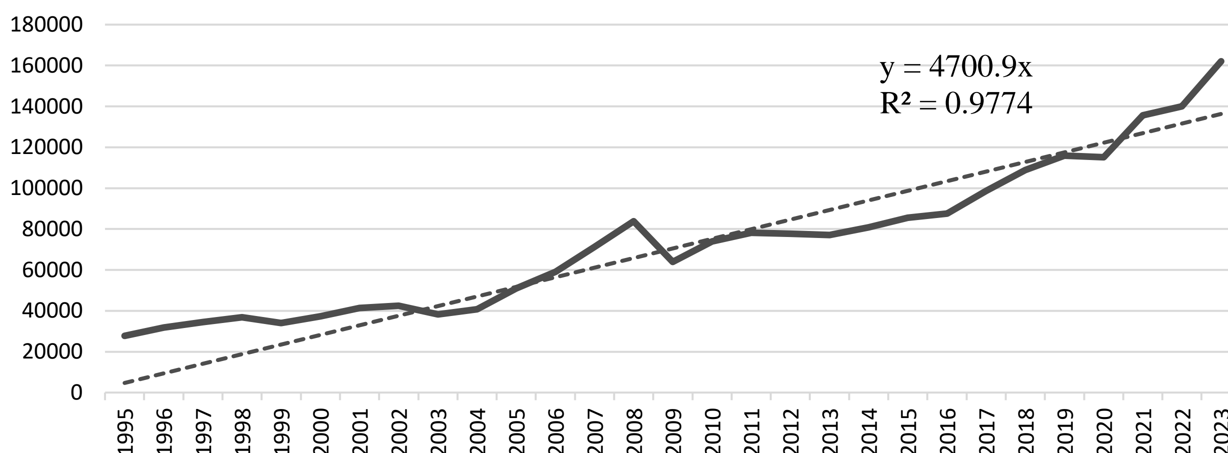
The overall growth of tax revenues to Estonia's budget testifies to the country's gradual integration into the global economy and its ability to adapt to changing economic conditions. The country's digital transformation, the implementation of e-government in particular, has contributed to the transparency of the tax system, improved its efficiency, and reduced the administrative burden on businesses. Joining the European Union in 2004 created additional incentives for foreign investment and encouraged economic growth through the access to the EU internal market. Global crises, as the financial crisis of 2008–2009, had a temporal impact on the slowdown in tax revenue growth. However, the rapid economic recovery reflected the country's high adaptability to external challenges. Although the COVID-19 pandemic caused an economic recession in 2020, it subsequently led to a significant recovery in tax revenues due to the activation of economic activity in 2021–2023. Overall, the growth stability is confirmed by high coefficients of determination, indicating the reliability of the country's long-term economic strategy and its ability to ensure sustainable development [19].

An efficient administration system, including the use of electronic filing systems, significantly reduces the bureaucratic burden and allows for easy management of tax documents. Industry-specific incentives are provided through special tax privileges for such sectors as research and development that promote innovation. Start-ups and small businesses are supported through tax holidays and simplified calculations. In an international context, the standard rate is 20 % on distributed profits, and competitiveness in the EU is ensured through tax deferral and a transparent structure that attracts both local and foreign investment. Estonia's tax system is strategically oriented towards business development. Its unique approach to income taxation helps to attract investment, support entrepreneurs and create a transparent tax environment. Coupled with the digitalisation of administrative processes, Estonia has solidified its reputation as one of the most efficient tax systems in the world [18].

The taxation system in Poland is based on progressive rates and various forms of taxation for sole proprietors (SPs) and limited liability companies (LLCs). Sole proprietors can choose between the general taxation regime (12 % if the taxable base is up to PLN 120000 or 32 % if the taxable base is over PLN 120000), the flat rate (19 %) or the simplified form of taxation «Ryczałt» (12 % for software developers). Tax returns are submitted from 15 February to 30 April. Social security contributions include health insurance (9 %) and social security. The general corporate tax rate for LLCs is 19 %, with a reduced rate of 9 % for companies with revenues of up to EUR 2 million. The standard VAT rate in Poland is 23 %, with reduced rates of 8 % and 5 % for certain goods and services. The introduction of a minimum corporate income tax (10 %) is planned since 2024. Poland also applies a system whereby dividends are taxed at a rate of 19 %. In general, the taxation system in Poland is aimed at supporting entrepreneurship and social protection through various forms of taxation and benefits [20].

The dynamics of tax revenues to the Polish budget over 1995–2023 demonstrates a stable growth, which indicates the success of economic transformation, adaptation to EU standards and the efficiency of tax administration in this country. Integration into the EU in 2004 promoted revenue increase owing to a tax base expanding and investments, while the development of small and medium-sized businesses stimulated the economy. Despite a temporary reduction in revenues during the global financial crisis of 2008 and the COVID-19 pandemic in 2020, the country demonstrated resilience thanks to structural reforms, digitalisation of tax processes, and anti-tax evasion campaign. The increase in tax revenues to EUR 162 billion in 2023 points to the country's economic revitalization, integration success, and improved tax administration, making Poland a model for other Central and Eastern European countries (Fig. 7).

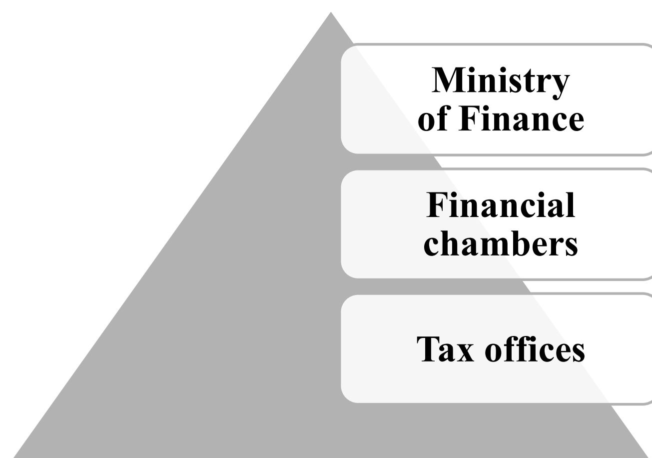
In addition, Poland has effectively used European funds, that fostered the infrastructure modernisation and employment stimulation. The government policy has simultaneously focused on tax fairness, reducing the shadow economy and broadening the tax base. Poland has entered into double taxation treaties with over 60 countries, following the principles set out by the OECD. According to these agreements, corporate profits are generally taxed in the country of their incorporation, unless they have a permanent establishment in another country, that allows taxation in both jurisdictions. Most treaties provide for: tax rates on dividends ranging from 5–15 %, with a reduction to 5 % if a foreign shareholder holds a significant share of capital (10 or 25 %) in the Polish company; exemption from taxes on interest in the source country or taxation at a rate of up to 10 %.



Source: depicted based on [7]

Fig. 7. Dynamics of the total amount of tax revenues to the budget of Poland, EUR million

The Polish tax system is administered at three levels. The first, basic level comprises local tax offices, which are responsible for collecting taxes, maintaining taxpayer registers, controlling and imposing sanctions. Tax inspectors engaged in these departments have access to taxpayers' financial information. Refusal to provide data or its distortion is punishable by fines of up to PLN 1.5 million. The second level is represented by financial chambers, which verify the tax offices' activities and large taxpayers' reports. The highest level of administration is the Ministry of Finance of Poland, which coordinates policy and controls the activities of tax authorities at the highest level (Fig. 8) [21].



Source: depicted based on [21]

Fig. 8. Levels of managing the tax system of Poland

Thus, Poland's taxation system is clearly structured, transparent, and oriented towards stimulating economic development. It includes a progressive personal income tax system, a corporate tax that promotes business competitiveness, VAT, and local taxes. Through tax incentives, Poland actively attracts investors and supports innovation, creating favourable conditions for business and economic growth. Poland's tax mechanisms are aimed at ensuring the state budget stability with simultaneous stimulating entrepreneurship, innovation, and regional development. Owing to effective tax administration and the presence of transparent regulations for business, Poland is an attractive country for international investors, making its economic position in European markets stronger.

Overall, the following advanced practices are used in the UE for effective corporate tax management:

– organized accounting: the use of reliable software that facilitates reporting;

– consultations with specialists: engaging experts helps reduce risks and take advantage of tax incentives;

– strategic planning: regular review of financial strategies taking into account tax changes, which enhances business efficiency;

– staff training: raising employees' awareness of tax requirements contributes to better compliance with regulations.

Such approaches allow companies to minimise the risks associated with tax liabilities and create a solid foundation for long-term development. In most European countries, legal entities report in accordance with International Financial Reporting Standards (IFRS). Even though national reporting standards are generally aligned with IFRS, differences in some EU countries are evident. These differences are related not so much to tax accounting principles as to reporting forms. Some EU countries are still in the process of harmonising their accounting and reporting, so that France and Romania, for example, have different balance sheets and charts of accounts. In general, when it comes to financial reporting, the main source of difference is not so much in accounting as in taxation.

6. Conclusion

The research conducted provides grounds to assert that the tax systems of European Union countries have both common features and significant differences, stipulated by the economic, social, and historical characteristics of each state. They are targeted at ensuring sustainable economic development, financing public services, and supporting social welfare. The peculiarities of tax accounting and administration in EU countries demonstrate a diversity of approaches to forming the tax base, rates, and mechanisms for their collection. Some states, such as Finland, have a progressive tax scale for individuals, while others, like Estonia, prefer proportional rates. The differences in corporate tax levels also testify to various models of business stimulation and investment attraction.

It is important to note the trend towards the harmonization of tax norms within the EU to ensure transparency and competitiveness of economies. Alongside this, mechanisms for avoiding double taxation and tax incentives are tools contributing to the integration of EU countries into the global economy. EU tax systems, despite their complexity and differences, remain factors of balanced economic growth, support for innovation, environmental initiatives, and social protection. Understanding their features and current changes is vital for business entities operating within the European Union. Another important aspect is the impact of digitalization and automation of tax administration processes, as they significantly enhance the efficiency of tax collection and reduce opportunities for evasion. The increasing attention to sustainable development encourages EU countries to implement environmental taxes, which are becoming a key tool in the fight against climate change and contribute to shaping a green economy.

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