

INFLUENCE OF TAX INCENTIVES ON THE BUSINESS OF FOREIGN INVESTORS IN SERBIA

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Abstract

Tax incentives granted to foreign investors play the leading role in the process of attracting foreign investments. The aim of this paper is to determine how individual tax exemptions affect the operations of foreign investors in Serbia. In order to determine this, we conducted a survey through which the views of foreign investors, expressed through their opinions, perceptions and expectations when it comes to their investment in Serbia, were collected. The main focus of the work is on tax incentives in certain areas, intended for the operation of foreign investors in Serbia, and depending on the amount of investment. The methodology of empirical research, based on the quantitative approach, enabled the collection of numerical data, their mutual comparison, as well as the exploration of connections between them. Based on the results obtained it is possible to conclude that tax incentives are very important to foreign investors when choosing Serbia as an investment destination. The results that have been achieved through the research may be of relevance to the fiscal policy makers in Serbia, since it is of the utmost importance that even more favorable conditions for foreign investors are ensured in the forthcoming period.

Key words: tax incentives, competitiveness, foreign investments, investors.

УТИЦАЈ ПОРЕСКИХ ОЛАКШИЦА НА ПОСЛОВАЊЕ СТРАНИХ ИНВЕСТИТОРА У СРБИЈИ

Апстракт

Веома важну улогу у процесу привлачења страних инвестиција имају пореске олакшице које се одобравају страним инвеститорима. Циљ рада је да се утврди на који начин поједине пореске олакшице утичу на пословање страних инвеститора у Србији. Како би то било могуће, спроведено је истраживање путем кога су добијени ставови страних инвеститора, а који су приказани кроз њихова мишљења, перцепције и очекивања када је у питању њихово улагање капитала у Србију. Фокус је у раду усмерен на пореске олакшице у појединим областима за пословање страних инвеститора у Србији, а у зависности од висине инвестиције страног инвеститора. Методологија емпиријског истраживања заснована је на квантитативном приступу, који

је омогућио прикупљање бројчаних података, њихово међусобно поређење, као и истраживање веза између њих. На основу добијених резултата, могуће је извести закључак да су страним инвеститорима, приликом избора Србије као инвестиционе дестинације, пореске олакшице веома важне. Резултати до којих се дошло кроз обављено истраживање могу бити од значаја творцима фискалне политике у Србији, с обзиром на то да је од изузетне важности да се у наредном периоду обезбеде још повољнији услови за стране инвеститоре.

Кључне речи: пореске олакшице, конкурентност, стране инвестиције, инвеститори.

INTRODUCTION

In the situation where there are more and more opportunities for the free movement of capital on the world market, countries are given the opportunity to compete with one another in order to attract foreign investors and thus the investments in their territory. The mobility of international capital over time has significantly increased due to the development of information technologies, the emergence of e-commerce, the harmonization of accounting through international accounting standards, the elimination of barriers and the creation of an increasing number of economic and trade communities around the world (Marjanović & Domazet, 2018). Due to the lack of domestic investment potential, countries must engage in international flows to attract investors from other countries. Therefore, it is not surprising that fiscal policy is a very powerful tool for attracting investments, and therefore tax competitiveness becomes a very important indicator of overall competitiveness. Tax reform is an ongoing process, with tax policymakers and tax administrators continually adapting their tax systems to reflect changing economic, social and political circumstances (Owens, 2006). Through favorable tax treatment, countries are now seeking to be at least one step ahead of the competition, making efforts to provide benefits to investors through the grant of various tax incentives. In this way, with the application of some other fiscal measures, countries generally achieve an increase in the volume and quantity of investments, the growth and development of the economy, and consequently, the increase in competitiveness (Marjanović, 2018). Therefore, investors have the task to select the country that will offer them the best investment conditions for placing their capital. Consequently, the goal of almost all countries is to provide a favorable environment for investors, and this can only be achieved if they provide better conditions than competitor countries (Keen & Konrad, 2011). Investors thus find purpose in investing their capital, since by investing in foreign country, they will ensure themselves the entry to the larger market, and also achieve greater profit (Domazet & Stošić, 2013). It can be said that this is a matter of mutual interest, since countries with higher inflows of foreign investments will benefit from the increase in production, improvement of technology, increase of efficiency of domestic

enterprises, development of human capital, promotion of foreign trade as well as increase of revenues (Domazet & Marjanović, 2018).

In order to attract foreign capital, the state must first provide a favorable investment climate that will be created if it is governed by: stable business conditions, political and social stability, favorable foreign trade, customs and foreign exchange treatment of joint ventures, available, reliable and trained workforce as well as access to raw materials and other domestic sources of supply (Domazet & Marjanović, 2017). The potential benefits from foreign direct investment (FDI) in the form of higher employment, intensified competition in product markets, and positive productivity spillovers on other sectors of the economy are increasingly perceived by policy makers (Haufler & Mittermaier, 2008).

LITERATURE REVIEW

In contemporary economic conditions, the need for business activities on the international market is becoming the key element of development for a large number of countries. A necessary precondition for that is the development of competitive capacities, both of individual economic entities and branches, as well as the national economy as a whole (Garelli, 2009). In the conditions of globalization and liberalized trade, there is a constant increase in competitiveness where companies are forced to penetrate new markets and thus increase their efficiency (Adam & Kammass, 2007). In the opinion of Talpos & Crasneac (2010), tax competition between governments is a research topic of growing importance in the context of globalization. The accelerated process of globalization, the liberalization of the foreign investment regime, and the deregulation of many activities, have allowed multinational companies an ever-growing choice of locations for doing their business. As a result, multinational companies are becoming increasingly demanding when choosing the host country for the investment (Du et al., 2012).

Although national competitiveness and the stage of economic development are influenced by many economic and political factors, the stage of economic development predominantly depends on the decision and willingness of political and business leaders in the country to lead the national economy to a higher stage (Paraušić et. al, 2017). For every economy, and particularly the one whose strategic goal is the membership in the European Union, sustainable development is of the utmost importance (Trlaković et al., 2018). The ability of governments to compete with other countries for mobile capital is constrained by the domestic political economy. The more severe budget constraints and the more prevalent societal fairness norms are, the lower the government's ability to reduce taxes on mobile capital in the presence of international competitive pressures (Plumper & Troeger, 2009). One of the main tasks of each country is to increase

production and exports, which should aim at achieving stable economic growth over a longer period of time. In order to achieve this, the necessary condition is to attract foreign direct investments (Domazet & Marjanović, 2017). The effect of foreign direct investment (FDI) and its short-run determinants are quite well studied, both in theoretical and empirical sense (Cazzavillan & Olszewski, 2012). Foreign direct investment is a form of investment aimed at increasing the efficiency of multinational companies, on the one hand, and helping the development of a national community, on the other (Aizenman et al., 2011). FDI reinforces insufficient domestic funds to finance both ownership alteration and capital composition. FDI, as sound long-term capital inflow, may introduce technology, managerial know-how and skills required for restructuring companies (Popescu, 2014). The size of foreign direct investment inflows is an important source of financing the economic development (Cvetanović et al., 2018). Since multinational companies invest their private capital in certain individual countries, the motive of these companies is of economic nature (Marjanović & Domazet, 2018). Foreign capital is a very important part of economic flows and a necessary requirement for the faster development of national economies (Andrašić et al., 2018). The main motives of each multinational company for investing capital in a foreign country, among other things, are profit, a new market, favorable conditions for the use of resources, and the benefits of the tax system (Nishiyama & Yamaguchi, 2010). On the other hand, the task of the economic policy makers is to identify the potentials that will develop the economy and improve its competitiveness (Stošić & Domazet, 2014). Studies of competitiveness and economic development have tended to focus on the nation as the unit of analysis, and on national attributes and policies as the drivers (Porter, 2003). Competitiveness implies the ability of a particular entity to compete with others (Stanković et al., 2015). There is no doubt that one of the foremost policy issues surrounding public finance in the European Union (EU) – and the world beyond – is the issue of tax competition (Davies & Voget, 2008).

In order to be tax-competitive, countries approve tax incentives by reducing both the risk of investment and giving the investor the opportunity to earn more profits (Domazet et al., 2018). Tax reliefs are an essential element of the fiscal policy of each country. In order to make the consequences of their implementation more effective, it is necessary to bring them at the right moment, but also to predict and prevent as many abuses as possible (Li, 2016). While tax incentives are common in developing countries, they vary at the sector, regional, and income levels. Countries deliver tax incentives through a number of different instruments. Among developing countries, tax holidays are the most widely used instrument (Andersen et al., 2018). By applying reduced corporate income tax rates, granting periodic exemptions on corporate taxes (tax holidays),

allowing extra investment deductions from tax liabilities (through tax credits or investment allowances), etc. to certain economic activities, governments try to reallocate or attract domestic and foreign mobile capital (Van Parys & James, 2010). Incentives may relieve tax liabilities completely (tax holidays), partially, provide preferred rates, deductions, exemptions and may fall on one tax or many. Incentives may be very localized with the expectation of generating investment in one region of a country, or may be developed with the expectation of increasing investment (foreign and domestic) at large (Calitz et al., 2013). Many investors bargain with different governments to get the best incentive package, and governments generally acquiesce afraid that the investment would be lost if the demanded tax incentive is not provided (James, 2013). The number of countries that have improved their economy through tax incentives and overcome the problems they have faced is quite large, which should be an encouragement for all countries in further development of tax systems.

RESEARCH METHODOLOGY

When making the decision to launch the empirical research, two general approaches were taken into consideration, but the quantitative approach prevailed over the qualitative one in this paper. The reason for this lies in the fact that the collected data is objective, precise, quantitative and measurable, using statistical methods of data processing and analysis. The sample in the research, when using the quantitative approach, usually involves a large number of cases representing a population of interest, while the results are final and can be used for making general conclusions on respondents who have been of interest for the empirical research. For a quantitative approach, it is characteristic that activities are reduced to collecting numerical data, in order to perform their mutual comparison, but also to establish the existence of connections between them. The study involved 88 foreign investors who invested their capital in Serbia in the period from 2000 to 2015, using the method of questioning, or surveying technique via e-mail. Unlike some other techniques (by telephone, personal contact or regular mail), the technique used was chosen because of the quality and quantity of data that can be obtained. In addition, it was due to the convenience of this type of interview for testing the selected target group, or for carrying out research in the field of business in which the use of e-mail represents a standard and routine. The research activity was based on the questionnaire of a closed type, since this is the most efficient way to properly analyze and encode the obtained data, and then make adequate conclusions. The research involved exclusively owners of companies, general managers or highly ranked persons who play a decisive role in selecting an investment destination and placing capital on other foreign markets.

The main task in the research was to determine the impact of tax incentives on foreign investors when choosing Serbia as an investment destination. In this regard, it was necessary to determine how the tax incentives in certain areas affect the business of foreign investors in Serbia, and depending on the level of investment of foreign investors in Serbia

Based on the frequency and percentage distribution (Table 1), the main characteristics of the enterprises representing the basic sample in the survey are shown.

Table 1. The amount of foreign investment invested in Serbia

up to 10 million euros (≤ 10)		from 11 to 50 million euros (11- 50)		from 51 to 100 million euros (51 - 100)		over 100 million euros (≥ 100)	
Frequency	Percentage	Frequency	Percentage	Frequency	Percentage	Frequency	Percentage
25	28,4	36	40,9	14	15,9	13	14,8

Source: Authors' research

In the first part of the research activity it was necessary to elaborate the representation of all the dependent variables, techniques and descriptive statistics that were investigated, precisely because it was possible to visually present the results by using them, and then calculate the frequencies, percentages, averages, standard deviations and variances. After the completion of this part, it was necessary to analyze the differences in dependent variables, based on subgroups of independent variables. In this way, dependent and independent variables were connected. When evaluating the investigated issues, when it comes to different groups of foreign investors, it was necessary to determine whether there are differences that are statistically significant. To make this feasible it was necessary to apply a single-factor analysis of the variance of different groups. (1)

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

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

The Independent Samples t-Test for calculating the values of a statistically significant difference (2) was used in a situation where it was necessary to make a comparison between two groups of subjects.

RESEARCH RESULTS

The results of the empirical research are shown in Tables 2-6, followed by descriptive statistics and then the analysis of the differences

between foreign investors depending on their individual characteristics in evaluating the significance of tax incentives in certain areas. The research has focused on tax incentives for investing in underdeveloped regions, tax incentives for investing in certain branches of industry, tax incentives for exporting companies, tax incentives for business in free zones, tax incentives for the employment of new workers, tax incentives for the establishment of small and medium business, tax incentives for corporate income tax and tax incentives for personal income tax.

Based on the conducted empirical research, foreign investors expressed their opinion on the significance of tax reliefs in the following way:

- Tax incentives for corporate income tax (35.2%),
- Tax incentives for employment of new workers (26.1%),
- Tax incentives for exporting companies (21.6%),
- Tax incentives for investing in underdeveloped regions (18.2%),
- Tax incentives for investments in certain branches of industry (11.4%),
- Tax incentives for the establishment of small and medium businesses (9.1%),
- Tax incentives for personal income tax (6.8%) and
- Tax incentives for business in free zones (6.8%).

As foreign investors assessed the impact of tax incentives in certain areas on their own business, it is presented in the form of descriptive statistics in Table 2.

Table 2. The significance of tax incentives for the business of foreign investors in Serbia

		Tax incentives for investing in underdeveloped regions	Tax incentives for investments in certain branches of industry	Tax incentives for exporting companies	Tax incentives for business in free zones	Tax incentives for employment of new workers	Tax incentives for the establishment of small and medium businesses	Tax incentives for corporate income tax	Tax incentives for personal income tax
Evaluation	1 (f(%))	15,9	20,5	20,5	38,6	15,9	47,7	9,1	31,8
	2 (f(%))	13,6	15,9	23,9	13,6	15,9	4,5	4,5	15,9
	3 (f(%))	34,1	34,1	18,2	21,6	13,6	22,7	30,7	29,5
	4 (f(%))	18,2	18,2	15,9	19,3	28,4	15,9	20,5	15,9
	5 (f(%))	18,2	11,4	21,6	6,8	26,1	9,1	35,2	6,8
	M	3,0909	2,8409	2,9432	2,4205	3,3295	2,3409	3,6818	2,5000
	SD	1,30107	1,26751	1,44920	1,35377	1,42814	1,43748	1,255	1,27757
	V	1,693	1,607	2,100	1,833	2,040	2,066	1,576	1,632

Source: Authors' research

Using ANOVA different group sizes and Independent Samples t-Test, an assessment was made of the significance of tax breaks between foreign investors who invested their capital in certain areas in Serbia, i.e.

it was examined whether there is a statistically significant difference between them (the results are shown in Table 3).

Table 3. Differences between foreign investors in evaluating the level of tax incentives in certain areas, and depending on the level of investment in Serbia

		<i>M</i>	<i>95% CIM</i>		<i>F</i>	<i>p*</i>
		(<i>SD</i>)	Lower	Upper		
Tax incentives for investing in underdeveloped regions	≤ 10, <i>N</i> = 25	3.4800 (1.38804)	2.9070	4.0530	1.326	0.271
	11- 50, <i>N</i> = 36	2.9444 (1.32976)	2.4945	3.3944		
	51 - 100, <i>N</i> = 14	3.1429 (0.66299)	2.7601	3.5257		
	≥ 100, <i>N</i> = 13	2.6923 (1.49358)	1.7897	3.5949		
Tax incentives for investments in certain branches of industry	≤ 10, <i>N</i> = 25	3.0000 (1.35401)	2.4411	3.5589	1.388	0.252
	11- 50, <i>N</i> = 36	3.0278 (1.40379)	2.5528	3.5028		
	51 - 100, <i>N</i> = 14	2.5714 (0.93761)	2.0301	3.1128		
	≥ 100, <i>N</i> = 13	2.3077 (0.85485)	1.7911	2.8243		
Tax incentives for exporting companies	≤ 10, <i>N</i> = 25	3.8400 (1.24766)	3.3250	4.3550	8.017	0.000
	11- 50, <i>N</i> = 36	2.9722 (1.44393)	2.4837	3.4608		
	51 - 100, <i>N</i> = 14	2.1429 (1.02711)	1.5498	2.7359		
	≥ 100, <i>N</i> = 13	2.0000 (1.22474)	1.2599	2.7401		
Tax incentives for business in free zones	≤ 10, <i>N</i> = 25	3.1200 (1.39403)	2.5446	3.6954	4.112	0.009
	11- 50, <i>N</i> = 36	2.2778 (1.42651)	1.7951	2.7604		
	51 - 100, <i>N</i> = 14	1.7143 (0.72627)	1.2949	2.1336		
	≥ 100, <i>N</i> = 13	2.2308 (1.09193)	1.5709	2.8906		
Tax incentives for employment of new workers	≤ 10, <i>N</i> = 25	4.0800 (1.25565)	3.5617	4.5983	4.604	0.005
	11- 50, <i>N</i> = 36	3.0556 (1.37206)	2.5913	3.5198		
	51 - 100, <i>N</i> = 14	2.5714 (1.34246)	1.7963	3.3465		
	≥ 100, <i>N</i> = 13	3.4615 (1.45002)	2.5853	4.3378		

		<i>M</i> (<i>SD</i>)	<i>95% CIM</i>		<i>F</i>	<i>p</i> [*]
			Lower	Upper		
Tax incentives for the establishment of small and medium businesses	≤ 10, <i>N</i> = 25	2.9200 (1.55242)	2.2792	3.5608	2.015	0.118
	11- 50, <i>N</i> = 36	2.1111 (1.52649)	1.5946	2.6276		
	51 - 100, <i>N</i> = 14	2.0000 (0.96077)	1.4453	2.5547		
	≥ 100, <i>N</i> = 13	2.2308 (1.16575)	1.5263	2.9352		
	≤ 10, <i>N</i> = 25	4.0400 (1.27410)	3.5141	4.5659		
Tax incentives for corporate income tax	11- 50, <i>N</i> = 36	3.5000 (1.32017)	3.0533	3.9467	2.321	0.081
	51 - 100, <i>N</i> = 14	3.1429 (1.29241)	2.3966	3.8891		
	≥ 100, <i>N</i> = 13	4.0769 (0.64051)	3.6899	4.4640		
	≤ 10, <i>N</i> = 25	2.7600 (1.42244)	2.1728	3.3472		
	11- 50, <i>N</i> = 36	2.5000 (1.27615)	2.0682	2.9318		
Tax incentives for personal income tax	51 - 100, <i>N</i> = 14	2.4286 (1.08941)	1.7996	3.0576	0.830	0.481
	≥ 100, <i>N</i> = 13	2.0769 (1.18754)	1.3593	2.7945		

* Statistically significant difference exists at $p < 0.05$

Source: Authors' research

The results of ANOVA showed that there are differences that are statistically significant.

When it comes to tax incentives for exporting companies, i.e. the assessment of the significance of these tax incentives for the business of foreign investors in Serbia ($F(3, 84) = 8.017$, $p = 0.000$), and according to the eta square which is $\eta^2 = 0.222$, clearly points to the conclusion that there is a big difference between the observed groups of foreign investors. Therefore, it was necessary to make an additional comparison using the T-HSD test (Table 4), where it was confirmed that there is a statistically significant difference between the group of foreign investors investing up to 10 million euros in Serbia ($M = 3.8400$, $SD = 1.24766$), those who invested between 51 and 100 million euros ($M = 2.1429$, $SD = 1.02711$) and those who invested over 100 million euros ($M = 2.0000$, $SD = 1.22474$).

When it comes to tax relief for business in free zones, i.e. the assessment of the significance of these tax incentives for the business of foreign investors in Serbia ($F(3.84) = 4.112$, $p = 0.009$), and according to the eta square which is $\eta^2 = 0.128$, clearly points to the conclusion that there is a big difference between the observed groups of foreign investors. Therefore, it was necessary to make an additional comparison using the

T-HSD test (Table 5), where it was confirmed that there is a statistically significant difference between a group of foreign investors investing up to EUR 10 million in Serbia ($M = 3.1200$, $SD = 1.39403$), and those who invested from 51 to 100 million euros ($M = 1,7143$, $SD = 0,72627$).

Table 4. The results of the T-HSD test on the differences between foreign investors, depending on the amount of their investment in Serbia in evaluating the importance of tax relief for companies that export

	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
Tax incentives for exporting companies	≤ 10	11- 50	0.86778	0.058	-0.0196	1.7552
		51 - 100	1.69714	0.001	0.5593	2.8350
		≥ 100	1.84000	0.000	0.6745	3.0055
	11- 50	≤ 10	-0.86778	0.058	-1.7552	0.0196
		51 - 100	0.82937	0.187	-0.2442	1.9030
		≥ 100	0.97222	0.104	-0.1307	2.0752
	51 - 100	≤ 10	-1.69714	0.001	-2.8350	-0.5593
		11- 50	-0.82937	.0187	-1.9030	0.2442
		≥ 100	0.14286	0.992	-1.1700	1.4557
	≥ 100	≤ 10	-1.84000	0.000	-3.0055	-0.6745
		11- 50	-0.97222	0.104	-2.0752	0.1307
		51 - 100	-0.14286	0.992	-1.4557	1.1700

* Statistically significant difference exists at $p < 0.05$

Source: Authors' research

Table 5. The results of the T-HSD test on the differences between foreign investors, depending on the amount of their investment in Serbia, in evaluating the importance of tax incentives for business in free zones.

	(I)	(J)	MD (I-J)	p^*	95% CIM	
					Lower	Upper
Tax incentives for business in free zones	≤ 10	11- 50	0.84222	0.065	-0.0357	1.7201
		51 - 100	1.40571	0.008	0.2800	2.5314
		≥ 100	0.88923	0.188	-0.2639	2.0423
	11- 50	≤ 10	-0.84222	0.065	-1.7201	0.0357
		51 - 100	0.56349	0.509	-0.4986	1.6256
		≥ 100	0.04701	0.999	-1.0441	1.1382
	51 - 100	≤ 10	-1.40571	0.008	-2.5314	-0.2800
		11- 50	-0.56349	0.509	-1.6256	0.4986
		≥ 100	-0.51648	0.725	-1.8153	0.7824
	≥ 100	≤ 10	-0.88923	0.188	-2.0423	0.2639
		11- 50	-0.04701	0.999	-1.1382	1.0441
		51 - 100	0.51648	0.725	-0.7824	1.8153

* Statistically significant difference exists at $p < 0.05$

Source: Authors' research

When it comes to tax incentives for the employment of new workers, i.e. the assessment of the significance of these tax incentives for the business of foreign investors in Serbia ($F(3.84) = 4.604$, $p = 0.005$),

and according to the eta square which is $\eta^2 = 0.141$, clearly points to the conclusion that there is a big difference between the observed groups of foreign investors.

Table 6. The results of the T-HSD test on the differences between foreign investors, depending on the amount of their investment in Serbia in evaluating the importance of tax incentives for employment of new workers

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
Tax incentives for employment of new workers		11- 50	1.02444	0.023	0.1053	1.9436
	≤ 10	51 - 100	1.50857	0.006	0.3301	2.6871
		≥ 100	0.61846	0.539	-0.5888	1.8257
		≤ 10	-1.02444	0.023	-1.9436	-0.1053
	11- 50	51 - 100	0.48413	0.665	-0.6279	1.5961
		≥ 100	-0.40598	0.788	-1.5484	0.7364
		≤ 10	-1.50857	0.006	-2.6871	-0.3301
	51 - 100	11- 50	-0.48413	0.665	-1.5961	0.6279
		≥ 100	-0.89011	0.322	-2.2499	0.4697
		≤ 10	-0.61846	0.539	-1.8257	0.5888
		≥ 100	0.40598	0.788	-0.7364	1.5484
		51 - 100	0.89011	0.322	-0.4697	2.2499

* Statistically significant difference exists at $p < 0.05$

Source: Authors' research

Therefore, it was necessary to make an additional comparison using the T-HSD test (Table 6), where it was confirmed that there is a statistically significant difference between a group of foreign investors investing up to 10 million euros in Serbia ($M = 4,0800$, $SD = 1,25565$), compared to those who invested from 11 to 50 million euros ($M = 3.0556$, $SD = 1.37206$) and from 51 to 100 million euros ($M = 2.5714$, $SD = 1.34246$).

DISCUSSION

In order to increase competitiveness, the state seeks to direct its intervention towards granting various tax incentives. Therefore, the tax incentives policy is based on measures and instruments of state intervention, all with the aim of fostering competitiveness. It is in this way that an adequate investment climate will be created that will help foreign investors decide to invest in Serbia.

Considering that it was very important to determine the importance of tax breaks, the research paid special attention to tax incentives in certain areas for foreign investors' business, depending on the amount of foreign investment in Serbia. Observing the amount of foreign investor investment in Serbia, the research included 25 companies which have invested up to 10 million euros, 36 companies which have invested from

11 to 50 million euros, 14 companies which have invested from 51 to 100 million euros and 13 companies which have invested over 100 million euros.

Foreign investors who invested up to 10 million euros in Serbia gave a greater significance to tax incentives for companies that export in comparison to those investors who invested from 51 to 100 and over 100 million euros.

Foreign investors who invested up to 10 million euros in Serbia gave more importance to tax incentives for business in free zones in comparison to those who invested from 51 to 100 million euros.

Foreign investors who invested up to 10 million euros in Serbia gave greater importance to tax incentives for the employment of new workers compared to those who invested from 11 to 50 million euros and from 51 to 100 million euros.

CONCLUSION

One of the factors that plays a decisive role in initiating the improvement of the competitiveness of a certain country is the fiscal system and fiscal policy. It is therefore very important that the creators involved in making this policy do not violate the principle of security, and that tax regulations are prepared and adopted after performing a detailed analysis of all the consequences that these changes bring with them. As a matter of great importance, the issue of tax incentives obtrudes, since these tax reliefs are of great significance for creating a competitive environment that as a consequence usually generates a higher inflow of foreign investments. Therefore, despite the large number of incentive measures that states offer to investors, tax reliefs are certainly among the most significant ones. Even in a situation where some countries have high taxes, which are the most common barriers to investment, tax incentives will have the greatest effect.

After conducting the empirical research, the emphasis was on a detailed analysis which was supposed to show whether, and if so to what extent there are issues that can negatively affect a foreign investor when making a decision pertaining to investing capital in Serbia in a given situation. Considering that the focus of the research is directed towards several different tax incentives, the aim was to determine which of the observed tax reliefs and to what extent, significantly influences foreign investors. Accordingly, the starting point was the amount of investment in Serbia, in synergy with tax incentives granted to foreign investors that undoubtedly affect their business. In this way it is possible to define some future steps that will contribute to the improvement of the business environment in Serbia in the coming period. According to the research results, it is necessary to note that tax incentives are extremely important

for foreign investors. If we observe the level of investment in Serbia, it is clear that investors who invested up to 10 million euros in the previous period have specifically marked tax incentives for companies that export and tax reliefs for doing business in free zones as significant for them. However, for investors investing more than 100 million euros, tax incentives for hiring new workers are of greatest importance. From the standpoint of the state, such attractive tax incentives significantly help the investor in deciding whether Serbia is a place where they would invest their capital. On the other hand, there is a decrease in unemployment, which is a very important concern for the state.

Ultimately, it is clear that investors will choose the country that will provide them with reasonable benefits for a certain period as an investment destination. The decision on the placement of capital is made by the investors following a detailed plan and market analysis conditions in certain countries, as well as other parameters that primarily aim to show the state's interest in new investments. One of these parameters certainly relates to tax incentives. Therefore, it is very important that the fiscal policy makers in Serbia carry out detailed analysis, as well as the implementation of all tax incentives, which the investors find important for their business in Serbia. On the basis of the presented results, the expectations in the forthcoming period clearly indicate that there are good prospects for an increase in the inflow of foreign investments, provided that the offer of tax incentives is constantly taken into account, which will not endanger the functioning of the system, and can contribute to capital inflows. All activities that the state implemented in the previous period, as well as the planned activities in the future, undoubtedly accompany the fact that Serbia is becoming a very attractive investment destination.

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УТИЦАЈ ПОРЕСКИХ ОЛАКШИЦА НА ПОСЛОВАЊЕ СТРАНИХ ИНВЕСТИТОРА У СРБИЈИ

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Резиме

С обзиром на то да на економски раст Србије у значајној мери утиче и прилив страног капитала, један од важнијих циљева јесте стварање адекватне инвестиционе климе. Да би се обезбедио довољан прилив страних инвестиција, неопходно је да се инвеститорима понуде погодности које се огледају кроз широк спектар пореских олакшица, субвенција и других врста пореских подстицаја. Управо је то ситуација коју инвеститори максимално желе да искористе, тачније да пронађу интерес у одо-

бреним пореским олакшицама које се у процесу пореске конкуренције пружају између држава. Пореске олакшице могу имати значајан утицај на стварање конкурентских предности, а самим тим и на подизање конкурентности српске привреде. У раду је испитиван утицај пореских олакшица у појединим областима за пословање страних инвеститора у Србији, а у зависности од висине инвестиције страног инвеститора. Временски оквир који је обухваћен овим истраживањем односио се на период од 2000. до 2015. године. Истраживање је показало да пореске олакшице утичу на прилив страних инвестиција у Србију. С обзиром на то да је за Србију значајно да буде веома конкурентна, поготово када су у питању земље из непосредног окружења, пореске олакшице које се одобравају инвеститорима су изузетно важне, јер ће на тај начин омогућити већу заинтересованост страних инвеститора за улагање капитала у Србију.