
Corporate Tax Rates and Regional Integration. Evidence from the Transition Countries

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Abstract

Corporate tax rates in the industrialized countries have been decreasing for many years. This decline has been attributed by many scholars to tax competition. In this context, however, less attention has been paid to the relation between regional economic integration and the development of the tax rates. This paper covers this issue concentrating on two integration initiatives in Europe and Eurasia: the European Union and the Eurasian Customs Union/Eurasian Economic Union. I find evidence that the declining corporate tax rates are to various degrees driven by the progressing regional integration within both the EU and the EEU. This paper also shows that the regional integration within the Eurasian Economic Union is, despite significant skepticism expressed from various sides, working in practice.

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