



**BALKAN
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Western Balkans Governments Urged to Stop Tax Dodging and Race to the bottom in Corporate Taxation

Brussels, March 20th, 2019 –Today a group of Western Balkans Civil Society Organizations introduced the study *Tax Justice in Southeast Europe – How to reduce inequalities?* in the European Parliament with Slovene MEP Tanja Fajon. The study recommends that the Western Balkans governments promote progressive tax systems to address the rising inequality, close the windows of opportunity for tax dodging and stop the race to the bottom in corporate taxation. Increasing the tax incomes is crucial to improve the currently exhausted social service sectors.

The research study *Tax Justice in Southeast Europe – How to reduce inequalities?* was produced in the framework of Balkan Monitoring Public Finance project, EU-supported initiative to improve the transparency and accountability of policy and decision making in the area of public finances. The study analyzes tax systems in seven (7) Western Balkan countries (Bosnia and Herzegovina, Bulgaria, Kosovo, Macedonia, Montenegro, Serbia and Slovenia), identifying several developments and trends that need to be reshaped in order to achieve fiscal sustainability and tax justice.

‘Our tax systems have become less redistributive since the mid-1990s, resulting in an increase in inequality, instead of decrease. The taxation burden shifted to indirect taxation of consumption rather than wealth, while tax exemptions for companies and rich individuals increased. This is shifting the tax burden to the less well-off parts of the society,’ explains Bojana Mijović Hristovska, one of the editors of the study and representative of the Macedonian think-tank Analytica.

The study finds that tax rates on capital are decreasing, followed by a relatively large number of incentives for companies, with the objective to give to the business a stimulating tax environment. However, this leads to large amounts of lost revenues for the financing of public services.

‘There is a general decline in quality of publicly financed infrastructure and services, due to which people who can afford it, turn to privately financed alternatives; this in turn makes public services decline and the wealth-income divide grow further,’ explains Lidija Živčič, representative of the Slovenian association Focus, one of the editors of the study as well.

Most of the countries in the Western Balkans region take part in the so called ‘race to the bottom’, continuously lowering corporate income tax rates. Tax revenues that could be obtained from businesses are hence seriously impeded.

‘This is why corporate income tax should be increased towards the Eurozone average. Also, a thorough analysis of the costs and benefits of tax exemptions, incentives and subsidies to corporations needs to be



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done to inform governments and tax payers whether the corporate incentives bring more costs to the public budgets than benefits to the economy' Lidija Kesar claims, representative of the Serbian NGO, Fractal.

The study recommends that the governments of the analyzed countries must promote progressive tax systems to address the rising inequality. They must close the windows of opportunity for tax dodging and stop the race to the bottom on corporate taxation. The Western Balkans countries must take up the challenge and conduct thorough reforms of their tax systems to make the tax systems more just and fairer. Working on both sides, the revenues and expenditures, is of crucial importance, as the currently exhausted social service sectors urgently need new public resources to get back to life.

'Fighting for equal, fairer and just societies is at the very core of our policies and is fundamental to who we are as Social democrats. Fighting tax avoidance and corruption by ensuring tax justice is not only necessary but it is crucial for the future of progressive, modern, democratic and welfare societies. It is my honor to host an event that tackles just that: tax injustice within my own country as well as countries of Western Balkans. We need to act now and deliver results quickly. The longer we wait, the more citizens will turn away from politics. We all carry the responsibility,' urged Slovene MEP Tanja Fajon, the host of today's event in the European Parliament.

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Study ***Tax Justice in Southeast Europe – How to reduce inequalities?*** is available [here](#).
Accompanying policy brief is available [here](#).

To find out more about project Balkan Monitoring Public Finances, please visit our [project website](#) and [Facebook page](#).



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