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# NON-FISCAL LEVIES AND OTHER TAXES IN THE FUNCTION OF SERBIA'S FISCAL COMPETITIVENESS

Nefiskalni nameti i druge dažbine u funkciji poreske  
konkurentnosti Srbije

## Abstract

Fiscal policy, as an integral part of the tax competitiveness of the state, is a powerful tool for attracting foreign investments. When designing tax policy, the state tries to reduce the burden and help attract new investments to the country, i.e. prevent them from flowing out. Accordingly, the goal of this paper is to determine whether non-fiscal levies and other taxes affect the fiscal competitiveness of Serbia. More specifically, whether the business of foreign investors in Serbia depends on the level of non-fiscal levies and other taxes imposed in Serbia. In order to collect primary data, an online survey was conducted with the participation of 88 (from abroad) investors in Serbia in 2001-2019. The research method used was a one-factorial analysis of variance of different groups (ANOVA) and a t-test for independent samples. The results show that non-fiscal levies have a significant impact on tax competitiveness. Namely, foreign investors consider non-fiscal levies to be an extremely important factor when it comes to doing business in Serbia. As for the other taxes analysed (customs duties, excise duties, contributions, and fees), their importance for foreign investors' is neutral and therefore not decisive when choosing Serbia as an investment location.

**Keywords:** *non-fiscal levies, contributions, customs duties, fees, excise duties, tax competitiveness*

## Sažetak

Fiskalna politika, kao sastavni deo poreske konkurentnosti države, predstavlja moćan instrument za privlačenje stranih investicija. Pri kreiranju fiskalne politike država nastoji da kroz smanjenje poreskog opterećenja doprinese povećanju investicija, odnosno sprečavanju njihovog odliva iz zemlje na druge lokacije. Shodno tome, cilj ovog rada jeste da utvrdi da li i u kojoj meri nefiskalni nameti i druge dažbine utiču na poresku konkurentnost Srbije. Konkretnije, da li je poslovanje stranih investitora u Srbiji uslovljeno visinom nefiskalnih nameta i drugih dažbina koje se primenjuju u Srbiji. Za prikupljanje primarnih podataka korišćeno je anketno online istraživanje u kom je učestvovalo 88 stranih investitora koji su u periodu od 2001. do 2019. godine uložili kapital u Srbiju. Korišćena metodologija istraživanja bila je jednofaktorska analiza varijanse različitih grupa (ANOVA) i t-test nezavisnih uzoraka. Rezultati istraživanja su pokazali da nefiskalni nameti u značajnoj meri utiču na poresku konkurentnost. Naime, strani investitori nefiskalne namete smatraju izuzetno važnim faktorom kada je u pitanju njihovo poslovanje u Srbiji. Kada je reč o ostalim analiziranim nametima (carine, akcize, doprinosi i naknade), njihov značaj na poslovanje stranog investitora u Srbiji je neutralan i samim tim nemaju odlučujući značaj za investitora prilikom odabira Srbije kao investicione destinacije.

**Ključne reči:** *nefiskalni nameti, doprinosi, carine, naknade, akcize, poreska konkurentnost*

## Introduction

Foreign direct investment (FDI) is a dynamic force that shapes the global economic landscape, contributing to the growth and development of economies worldwide. Understanding global trends in capital movement helps policymakers and businesses make informed decisions to attract and benefit from FDI. Thus, attracting FDI is a common goal for many countries, and it is viewed as a key factor for the success of the national economy on the global stage. While there are clear benefits to attracting FDI, it is essential for countries to balance their economic interests with social and environmental considerations. Creating an attractive business environment, implementing transparent policies, and addressing potential challenges are crucial for sustained success in attracting and retaining FDI.

Tax competition is a strategic approach employed by governments to attract FDI and businesses by implementing preferential tax measures. This competition involves creating an environment with favourable tax conditions compared to other jurisdictions, aiming to encourage businesses to establish operations, invest capital, and conduct economic activities within the country. Tax competition is a dynamic and evolving strategy, and governments need to balance attracting investments with ensuring that the overall tax system contributes to sustainable economic development. It involves continuous efforts to enhance the competitiveness of the country in the global marketplace. Countries that strategically manage their tax policies and provide an attractive overall business environment are more likely to attract FDI and foster economic growth. Creating a favourable environment for investors is crucial to engage in tax competition effectively and attract FDI. Governments and policymakers must establish conditions that make their country an appealing destination for investors. It's important to strike a balance between offering incentives for investors and ensuring that the overall tax system remains fair and contributes to the country's development.

In the pursuit of attracting FDI, countries often leverage tax policy measures as a key tool to enhance their competitiveness on the international capital market. A strategic and well-crafted tax policy can make a country more appealing to foreign investors (FI). In essence, a

well-calibrated and investor-friendly tax policy is a crucial component of a country's broader strategy to attract FDI and foster economic growth. It requires a careful balance between providing incentives for investors and ensuring that the tax system contributes to sustainable development. Continuous evaluation, adaptability, and global awareness are essential for success in the competitive landscape of international capital markets.

Given the significant advantages that countries can derive from the inflow of FDI, tax policymakers indeed have a responsibility to regularly review and adapt tax rules to ensure the country remains attractive for FDI. A proactive and adaptive approach to tax policymaking is crucial for maintaining and enhancing a country's attractiveness for FDI. Policymakers must be responsive to changes in the global economy, investor preferences, and industry dynamics to ensure that their tax policies contribute to sustainable economic development. Continuous review and adjustment allow countries to remain competitive and capitalize on opportunities in the ever-evolving landscape of international investments.

The paper is structured in five interconnected parts. After the introductory considerations, the second part of the paper presents the current positions and views of a number of authors on the issue of tax policy, tax competitiveness (TC) and FDI on the basis of the bibliographical reference material. The research methodology is presented in detail in the third part of the paper. The fourth section of the paper offers the empirical results of the research as well as a detailed analysis of the findings, while the fifth section is dedicated to concluding thoughts.

## Literature review

The relationship between FDI and economic growth has been extensively examined in economic literature. The authors mention that the relationship between FDI and economic growth is very significant [5], [30], [7]. FDI inflows have the capacity to affect economic growth, competitiveness, financial sector development, and technical progress in the host country, which in turn affects tax revenues (TR) [2]. According to Camara [4], the results for 90 developing countries from 1996 to 2017

using a System GMM estimator strongly suggest that FDI inflows result in a significant increase in TR. Although the influence of taxes on FDI inflows varies widely depending on the type of tax, most empirical research implies that nations with high tax rates would not be as appealing to FDI inflows as countries with low tax rates [17], [6], [18]. FDI promotes economic growth in the host country. FDI increased dramatically between 1984 and 2010, and Spain provided optimal conditions for FDI to have the expected positive effects on growth [3]. According to Đuričin & Vuksanović Herceg [11], Serbia's growth strategy based on FDI may not be sustainable without a demographic bonus typical of developing economies.

Many developing countries' governments strive to encourage inbound FDI by using tax incentives for multinational firms [1], [22], [24]. To encourage FDI, growing EU economies frequently employ tax reduction policies, particularly lowering effective average tax rates [31], [29], [26], [25]. It is necessary to provide stimulant fiscal incentives and subsidies to domestic and FI in R&D, in addition to the support granted to FI in Serbia [9]. To encourage FDI and match investors' expectations, the government continues to grant subsidies. This policy measure generated criticism from some representatives of the business sector, who pointed out that, due to an apparent lack of vision about the targeted structure of output, the government has actually favoured holistic interests of foreigners [10]. FI consider tax incentives, particularly those approved in the income tax system, when making investment decisions [20], [15].

Countries' tax systems face severe competition as the tax base grows more mobile as globalization progresses. Nonetheless, the current stage of globalization indicates a large degree of differentiation at both the national and regional levels [28], [27]. The current level of globalization definitely determines increased competition between countries in terms of the attractiveness of their own tax environment [23], [13]. Where it works, competition thrives. Unfortunately, competition fails in nascent businesses too frequently [12], [19]. The empirical research conducted by Domazet et al. [8] confirms the link between innovation and competitive advantage, describing it as direct and positive.

Horobet et al. [16] highlight the elements determining competitiveness in Central and Eastern European countries, which also influence FI location decisions. The findings indicate that market size, economic digitization, labour force characteristics, and economic potential market are the most important criteria in attracting FDI to the CEE region. Galgánková [14] focused her research on evaluating and comparing the international competitiveness of the Visegrad countries, which included the Slovak Republic, Czech Republic, Hungary, and Poland. She evaluates how countries achieve and sustain economic growth, as well as how competitiveness affects business in all countries. High-quality financial reports increase a company's competitiveness and encourage investors to invest in it. Marjanović and Domazet [21] examined Serbia's TC compared to other European countries, categorizing it by area and globally. According to the findings, the majority of FI consider Serbia's TC is roughly the same as that of other European countries in the surveyed regions. These findings may be of interest to fiscal policymakers, and it is critical that competitiveness improves in the next years since this can have a favourable impact on both FDI inflows and the country's economic growth and development.

## Research methodology

The purpose of the conducted research was to determine whether non-fiscal levies and other taxes (customs duties, excise duties, contributions, and fees) affect Serbia's TC. In other words, are non-fiscal levies and other taxes an important factor for a FI when deciding to invest in Serbia? In the empirical research itself, a quantitative approach (using the research method, i.e. the survey technique) was applied. The survey technique based on the use of a structured questionnaire was chosen due to several advantages over other research techniques: (a) it is easy to administer, (b) the responses obtained are consistent as respondents are limited in their answers to a few fixed alternatives and (c) the coding, analysis and interpretation of the data obtained is relatively simple. In view of the possibility of choosing between several data collection techniques (telephone, personal contact, post, e-mail), the electronic survey, i.e. by e-mail, was chosen to conduct

this study. The advantage of conducting the survey by e-mail lies in (a) the speed with which the research can be carried out, (b) the large number of responses that can be obtained in a relatively short time, (c) the relatively low costs (the costs for printing the questionnaires and the postage costs for sending them to the respondents are not taken into account), (d) the quality and quantity of data obtained, (e) the elimination of possible researcher/respondent bias, (f) the much quicker contact with the respondent, (g) the direct monitoring of the respondent's receipt of the survey material. The answers obtained are very consistent. This is due to the fact that the respondents (in this case FI) were limited to a few fixed alternatives when answering.

The research on the impact of the above-mentioned tax forms to which FI investing capital in Serbia are exposed was conducted in the period from September to December 2023. The base group for the research consisted of the 300 largest FI who invested capital in Serbia in the period from 2001 to 2019 (list of investors provided by the Ministry of Economy of the Republic of Serbia). A questionnaire and the accompanying material were sent to the official e-mail addresses of all 300 investors, with the note that the questionnaire should only be completed by the company owner or the director responsible for investments, as it

is assumed that these persons are most familiar with the company's activities in Serbia. After the first e-mail with the questionnaire and accompanying material was sent out at the beginning of September, two further requests to complete the questionnaire were sent to respondents four weeks apart, as such an approach can increase the response rate to the survey. After the official closing of the survey, 88 responses were received from FI, which corresponds to a response rate of 29.3%.

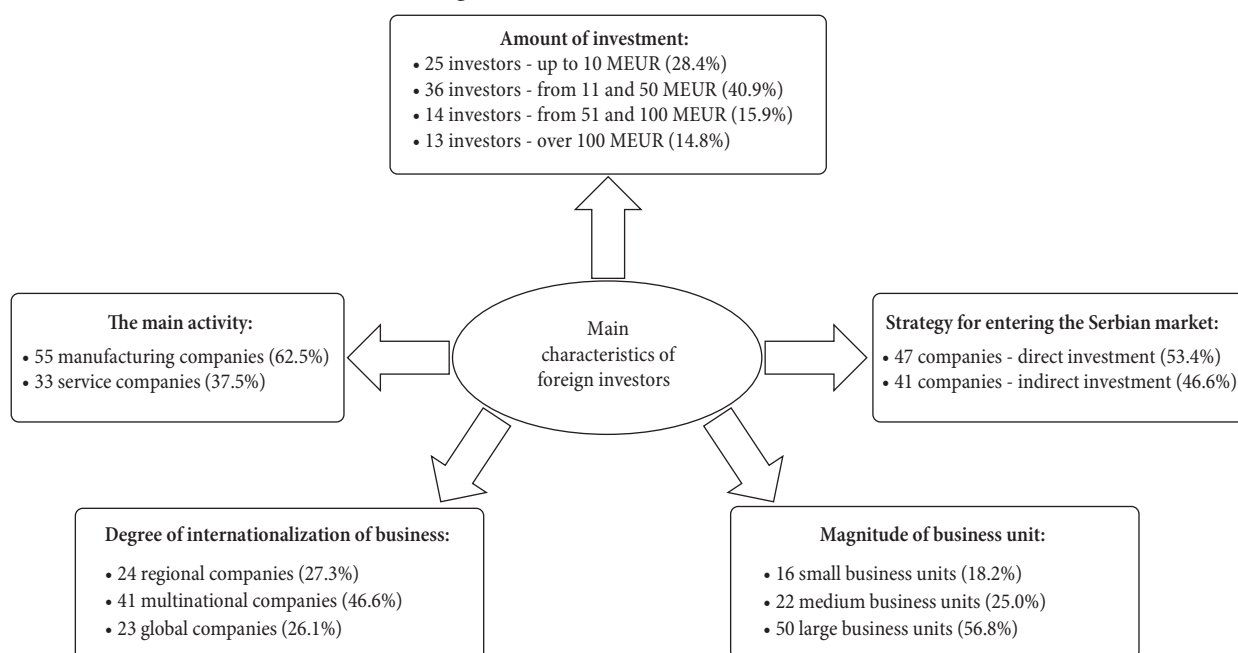
Figure 1 shows the key characteristics of the FI who participated in the survey, with a detailed visualisation through the distribution of frequencies and percentages.

The research approach was based on a *t-test* (comparing the differences between two groups of subjects) and *ANOVA* (comparing the differences between three or more groups of subjects).

## Empirical findings

The conducted empirical research focused on analysing the attitudes of FI operating in Serbia regarding the degree of influence of non-fiscal levies and other taxes, i.e. contributions, fees, excises and customs duties, on the tax competitiveness (TC) of Serbia. In other words, the TC of Serbia was analysed by determining the degree

**Figure 1: Main characteristics of FI**



Source: Authors, based on survey results

of influence of non-fiscal levies and other taxes on the business activities of FI. The results of the study are shown graphically in Figure 2.

Based on the results obtained, it is noticeable that most FI consider the influence of taxes, i.e. levies, fees, excise duties and customs duties, on Serbia’s overall TC as neutral. However, when it comes to non-fiscal levies, FI consider their impact on overall TC to be significant. The impact of taxes, i.e. contributions, fees, excise duties and customs duties, as well as non-fiscal levies on Serbia’s overall TC in the form of descriptive statistics is presented in Table 1.

The existence of statistically significant differences (S.S.D.) between FI in assessing the impact of non-fiscal

levies and other taxes on the TC of Serbia was analysed using ANOVA and t-test. In accordance with the hypotheses, the analysis focused on (a) the activities of FI, (b) the degree of internationalisation of FI business, (c) the way FI enter the Serbian market, (d) the size of FI business unit in Serbia and (e) the amount of FI investments in Serbia.

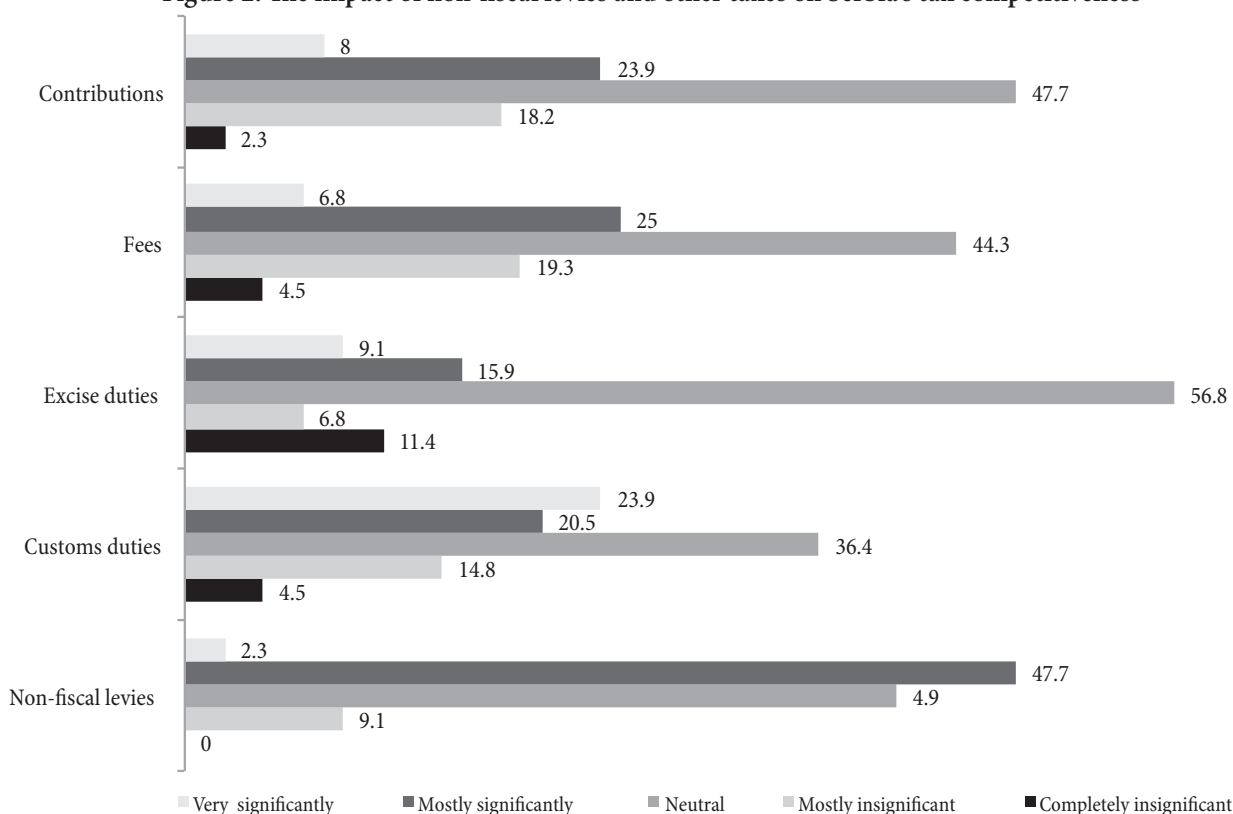
The first part of the analysis aimed to determine whether non-fiscal levies and other taxes, considered according to the activities of FI, affect the TC of Serbia. The results of t-test for the existence of S.S.D. between FI whose main activity is in the manufacturing sector (MS) and those whose main activity is in the service sector (SS) in assessing the influence of non-fiscal levies and other taxes on Serbia’s TC are presented in Table 2.

**Table 1: Analysis of non-fiscal levies and other taxes - descriptive statistics**

	Degree of valuation					M	SD	V
	1	2	3	4	5			
	f (%)	f (%)	f (%)	f (%)	f (%)			
Contributions	2 (2.3)	16 (18.2)	42 (47.7)	21 (23.9)	7 (8.0)	3.1705	0.89983	0.810
Fees	4 (4.5)	17 (19.3)	39 (44.3)	22 (25.0)	6 (6.8)	3.1023	0.94735	0.897
Excise duties	10 (11.4)	6 (6.8)	50 (56.8)	14 (15.9)	8 (9.1)	3.0455	1.02732	1.055
Customs duties	4 (4.5)	13 (14.8)	32 (36.4)	18 (20.5)	21 (23.9)	3.4432	1.14328	1.307
Non-fiscal levies	0 (0)	8 (9.1)	36 (40.9)	42 (47.7)	2 (2.3)	3.4318	0.69142	0.478

Source: Authors’ research

**Figure 2: The impact of non-fiscal levies and other taxes on Serbia’s tax competitiveness**



Source: Authors’ research

The results of t-test showed that there are no S.S.D. between FI in the assessment of the impact of non-fiscal levies and other taxes on the TC of Serbia, depending on the activity of FI. These S.S.D. were not found, as there was no S.S.D. at the level  $p < 0.05$  in the assessment of the influence of non-fiscal levies and other taxes on the TC of Serbia, i.e. contributions, fees, excise duties, customs duties and non-fiscal levies between FI belonging to the group of manufacturing industries on the one hand and FI belonging to the group of service industries on the other.

The second part of the analysis aimed to determine whether non-fiscal levies and other taxes, considered according to the degree of internationalization of the FI company, affect the TC of Serbia. The results of ANOVA on the possible existence of S.S.D. in the assessment of the influence of non-fiscal levies and other taxes on the TC of Serbia depending on the degree of internationalization of FI business are shown in Table 3.

The results of the ANOVA showed the following S.S.D.:

- When evaluating the impact of contributions on Serbia's TC,  $F(2,85) = 6.482$ ,  $p = 0.002$ , the magnitude of the discrepancy between distinct groups of FI, expressed by the Eta-squared indicator, is  $\eta^2 = 0.132$  and can be considered a large difference. The subsequent comparison by the T-HSD test (Table 4), revealed that the above-mentioned S.S.D. exists between the group of FI belonging to R.C. ( $M = 2.6667$ ,  $SD = 0.96309$ ) on the one hand and those belonging to M.C. ( $M = 3.2683$ ,  $SD = 0.70797$ ) and G.C. ( $M = 3.5217$ ,  $SD = 0.94722$ ) on the other. This means that FI belonging to R.C. rate the impact of contributions on Serbia's TC with a lower average score compared to those belonging to M.C. and G.C.

- When evaluating the impact of fees on Serbia's TC,  $F(2,85) = 3.244$ ,  $p = 0.044$ , the magnitude of the discrepancy between distinct groups of FI, expressed by the Eta-squared indicator, is  $\eta^2 = 0.070$  and can be considered a mean difference.

**Table 3: Importance of non-fiscal levies and other taxes (depending on the degree of internationalization of business activities)**

		M (SD)	95% CIM		F	p*
			Lower	Upper		
Contributions	R.C. N = 24	2.6667 (0.96309)	2.2600	3.0733	6.482	0.002
	M.C. N = 41	3.2683 (0.70797)	3.0448	3.4918		
	G.C. N = 23	3.5217 (0.94722)	3.1121	3.9313		
Fees	R.C. N = 24	2.7500 (1.18872)	2.2480	3.2520	3.244	0.044
	M.C. N = 41	3.1220 (0.87164)	2.8468	3.3971		
	G.C. N=23	3.4348 (0.66237)	3.1484	3.7212		
Excise duties	R.C. N = 24	2.1667 (1.00722)	1.7414	2.5920	16.442	0.000
	M.C. N = 41	3.3415 (0.91131)	2.5920	3.6291		
	G.C. N = 23	3.4348 (0.66237)	3.1484	3.7212		
Customs duties	R.C. N=24	2.5833 (1.21285)	2.0712	3.0955	11.845	0.000
	M.C. N = 41	3.7073 (0.98092)	3.3977	4.0169		
	G.C. N = 23	3.8696 (0.86887)	3.4938	4.2453		
Non-fiscal levies	R.C. N=24	3.2500 (0.73721)	2.9387	3.5613	5.687	0.005
	M.C. N = 41	3.6829 (0.56741)	3.5038	3.8620		
	G.C. N = 23	3.1739 (0.71682)	2.8639	3.4839		

\* At the level  $p < 0.05$ , a S.S.D. is present

Note: R.C. (regional companies); M.C. (multinational companies); G.C. (global companies)

Source: Authors' research

**Table 2: Importance of non-fiscal levies and other taxes (by activity of FI)**

	M (SD)		MD	95% CID		t	p*
	MS, N = 55	SS, N = 33		Lower	Upper		
Contributions	3.0909 (0.77633)	3.3030 (1.07485)	-0.21212	-0.64232	0.21808	-0.989	0.327
Fees	3.1636 (1.04993)	3.0000 (0.75000)	0.16364	-0.25197	0.57924	0.783	0.436
Excise duties	3.1636 (1.11826)	2.8485 (0.83371)	0.31515	-0.013207	0.76237	1.401	0.165
Customs duties	3.6000 (1.06458)	3.1818 (1.23629)	0.41818	-0.07712	0.91348	1.678	0.097
Non-fiscal levies	3.4182 (0.73764)	3.4545 (0.61699)	-0.03636	-0.34067	0.26794	-0.238	0.813

\* At the level  $p < 0.05$ , a S.S.D. is present

Note: MS (manufacturing sector); SS (service sector)

Source: Authors' research

The subsequent comparison by the T-HSD test (Table 5), revealed that the above-mentioned S.S.D. exists between the group of FI belonging to R.C. (M = 2.7500, SD = 1.18872) on the one hand and the group belonging to G.C. (M = 3.4348, SD = 0.66237), on the other.

The results obtained show that FI belonging to R.C. rate the impact of the fees on Serbia's TC with a lower average score compared to those belonging to M.C. and G.C.

- When evaluating the impact of excise duties on Serbia's TC,  $F(2,85) = 16.442$ ,  $p = 0.000$ , the magnitude of the discrepancy between distinct groups of FI, expressed by the Eta-squared indicator, is  $\eta^2 = 0.279$  and can be considered a large difference. The subsequent comparison by the T-HSD test (Table 6), revealed that the above-mentioned S.S.D. exists between the group of FI belonging to R.C. (M = 2.1667, SD = 1.00722) on the one hand and the group belonging to M.C. (M

= 3.3415, SD = 0.91131) and G.C. (M = 3.4348, SD = 0.66237), on the other.

The results of the research show that FI belonging to R.C. rate the impact of excise taxes on Serbia's TC with a lower average score than those belonging to M.C. and G.C.

- When evaluating the impact of customs duties on Serbia's TC,  $F(2,85) = 11.845$ ,  $p = 0.000$ , the magnitude of the discrepancy between distinct groups of FI, expressed by the Eta-squared indicator, is  $\eta^2 = 0.218$  and can be considered a large difference. The subsequent comparison by the T-HSD test (Table 7), revealed that the above-mentioned S.S.D. exists between the group of FI belonging to R.C. (M = 2.5833, SD = 1.21285) on the one hand and those belonging to M.C. (M = 3.7073, SD = 0.98092) and G.C. (M = 3.8696, SD = 0.86887), on the other.

FI belonging to R.C. rated the impact of tariffs on Serbia's TC with a lower average score compared to those belonging to M.C. and G.C.

**Table 4: Results of the T-HSD test on the differences between FI depending on the degree of internationalisation of the company when assessing the impact of contributions on the TC of Serbia**

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
Contributions	R.C.	M.C.	-0.60163	0.019	-1.1215	-0.0817
		G.C.	-0.85507	0.002	-1.4453	-0.2648
	M.C.	R.C.	0.60163	0.019	0.0817	1.1215
		G.C.	-0.25345	0.488	-0.7804	0.2735
	G.C.	R.C.	0.85507	0.002	0.2648	1.4453
		M.C.	0.25345	0.488	-0.2735	0.7804

\* At the level  $p < 0.05$ , a S.S.D. is present  
Source: Authors' research

**Table 5: Results of the T-HSD test on the differences between FI depending on the degree of internationalization of business activities when assessing the impact of fees on the TC of Serbia**

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
Fees	R.C.	M.C.	-0.37195	0.266	-0.9383	0.1944
		G.C.	-0.68478	0.034	-1.3278	-0.0417
	M.C.	R.C.	0.37195	0.266	-0.1944	0.9383
		G.C.	-0.31283	0.399	-0.8869	0.2613
	G.C.	R.C.	0.68478	0.034	0.0417	1.3278
		M.C.	0.31283	0.399	-0.2613	0.8869

\* At the level  $p < 0.05$ , a S.S.D. is present  
Source: Authors' research

**Table 6: Results of the T-HSD test on the differences between FI depending on the degree of internationalisation of business activities when assessing the impact of excise taxes on the TC of Serbia**

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
Excise duties	R.C.	M.C.	-1.17480	0.000	-1.7159	-0.6337
		G.C.	-1.26812	0.000	-1.8824	-0.6538
	M.C.	R.C.	1.17480	0.000	0.6337	1.7159
		G.C.	-0.09332	0.913	-0.6418	0.4551
	G.C.	R.C.	1.26812	0.000	0.6538	1.8824
		M.C.	0.09332	0.913	-0.4551	0.6418

\* At the level  $p < 0.05$ , a S.S.D. is present  
Source: Authors' research

**Table 7: Results of the T-HSD test on the differences between FI depending on the degree of internationalisation of the company when assessing the impact of tariffs on the TC of Serbia**

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
Customs duties	R.C.	M.C.	-1.12398	0.000	-1.7511	-0.4969
		G.C.	-1.28623	0.000	-1.9982	-0.5743
	M.C.	R.C.	1.12398	0.000	0.4969	1.7511
		G.C.	-0.16225	0.816	-0.7979	0.4734
	G.C.	R.C.	1.28623	0.000	0.5743	1.9982
		M.C.	0.16225	0.816	-0.4734	0.7979

\* At the level  $p < 0.05$ , a S.S.D. is present  
Source: Authors' research

5. When evaluating the impact of non-fiscal levies on Serbia's TC,  $F(2,85) = 5.687$ ,  $p = 0.005$ , the magnitude of the discrepancy between distinct groups of FI, expressed by the Eta-squared indicator, is  $\eta^2 = 0.118$  and can be considered a large difference. The subsequent comparison by the T-HSD test (Table 8), revealed that the above-mentioned S.S.D. exists between the group of FI belonging to M.C. ( $M=3.6829$ ,  $SD=0.56741$ ) on the one hand and those belonging to R.C. ( $M = 3.2500$ ,  $SD = 0.73721$ ) and G.C. ( $M=3.1739$ ,  $SD=0.71682$ ), on the other.

This means that FI belonging to M.C. give a lower average score to the impact of non-fiscal levies on Serbia's TC compared to those belonging to R.C. and G.C.

The third part of the analysis aimed to determine whether non-fiscal levies and other taxes, considered according to the way a FI enters the Serbian market, affect the TC of Serbia. The results of the independent samples

t-test for the existence of S.S.D. in the assessment of the influence of non-fiscal levies and other taxes on the TC of Serbia between FI who entered the Serbian market through direct investment (D.I.) or indirect investment (I.I.) are presented in Table 9.

However, the results of the t-test showed that, depending on the way FI entered the Serbian market, there are no S.S.D. between them in terms of evaluating the degree of influence of non-fiscal levies and other taxes on Serbia's TC. These S.S.D. were not found, because there was no S.S.D. at the  $p < 0.05$  level in assessing the degree of influence of non-fiscal levies and other taxes on Serbia's TC, i.e. contributions, fees, excise duties, customs duties and non-fiscal levies between FI who entered the Serbian market through D.I., on the one hand, and FI who entered the Serbian market through I.I., on the other hand.

The fourth part of the analysis aimed to determine whether non-fiscal levies and other taxes, viewed according to the size of the FI business unit in Serbia, affect Serbia's TC. The results of the ANOVA on the possible existence of S.S.D. in assessing the degree of influence of non-fiscal levies and other taxes on Serbia's TC and depending on the size of the business unit of FI in Serbia, are shown in Table 10.

The results of ANOVA showed the existence of a S.S.D. in the assessment of the impact of contributions on the TC of Serbia,  $F(2,85) = 4.483$ ,  $p = 0.014$ , the magnitude of the discrepancy between distinct groups of FI, expressed by the Eta-squared indicator, is  $\eta^2=0.095$  and can be considered a difference of medium size. The subsequent

**Table 8: Results of the T-HSD test on the differences between FI depending on the degree of internationalisation of business activities when assessing the impact of non-fiscal levies on the TC of Serbia**

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
Non-fiscal levies	R.C.	M.C.	-0.43293	0.032	-0.8357	-0.0302
		G.C.	0.07609	0.917	-0.3812	0.5334
	M.C.	R.C.	0.43293	0.011	0.0302	0.8357
		G.C.	0.50901	0.488	0.1008	0.9173
	G.C.	R.C.	-0.07609	0.917	-0.5334	0.3812
		M.C.	-0.50901	0.011	-0.9173	-0.1008

\* At the level  $p < 0.05$ , a S.S.D. is present  
Source: Authors' research

**Table 9: Importance of non-fiscal levies and other taxes (according to the type of entry of FI into the Serbian market)**

	M (SD)		MD	95% CID		t	p*
	D.I. N = 47	I.I. N = 41		Lower	Upper		
Contributions	3.1064 (0.72932)	3.2439 (1.06725)	-0.13752	-0.53196	0.25692	-0.695	0.489
Fees	3.1915 (1.03500)	3.0000 (0.83666)	0.19149	-0.21121	0.59419	0.945	0.347
Excise duties	3.1702 (1.04921)	2.9024 (0.99511)	0.26777	-0.16741	0.70296	1.223	0.225
Customs duties	3.5319 (1.01833)	3.3415 (1.27691)	0.19045	-0.29634	0.67724	0.778	0.439
Non-fiscal levies	3.5319 (0.71782)	3.3171 (0.64958)	0.21484	-0.07698	0.50666	1.464	0.147

\* At the level  $p < 0.05$ , a S.S.D. is present  
Note: D.I. (direct investment); I.I. (indirect investment)  
Source: Authors' research



comparison by the T-HSD test (Table 11), showed that the above-mentioned S.S.D. exists between the group of FI whose business unit in Serbia is a S.B.E. (M = 3.6875, SD

= 0.79320) and the group whose business unit in Serbia is a L.B.E. (M = 2.9600, SD = 0.87970).

This means that FI whose business unit in Serbia is a S.B.E. assess the degree of impact of contributions on Serbia's TC higher than FI whose business entity in Serbia is a L.B.E.

The fifth part of the analysis aimed to determine whether non-fiscal levies and other taxes, considered according to

**Table 10: Significance of non-fiscal levies and other taxes (according to the size of the FI business unit in Serbia)**

		M (SD)	95% CIM		F	p*
			Lower	Upper		
Contributions	S.B.E. N = 16	3.6875 (0.79320)	3.2648	4.1102	4.483	0.014
	M.B.E. N = 22	3.2727 (0.88273)	2.8813	3.6641		
	L.B.E. N = 50	2.9600 (0.87970)	2.7100	3.2100		
Fees	S.B.E. N = 16	3.0625 (0.99791)	2.5307	3.5943	0.472	0.625
	M.B.E. N = 22	3.2727 (0.88273)	2.8813	3.6641		
	L.B.E. N = 50	3.0400 (0.96806)	2.7649	3.3151		
Excise duties	S.B.E. N = 16	3.2500 (0.44721)	3.0117	3.4883	1.522	0.224
	M.B.E. N = 22	3.2727 (1.31590)	2.6893	3.8562		
	L.B.E. N = 50	2.8800 (1.00285)	2.5950	3.1650		
Customs duties	S.B.E. N = 16	3.8125 (1.22304)	3.1608	4.4642	1.447	0.241
	M.B.E. N = 22	3.5455 (0.91168)	3.1412	3.9497		
	L.B.E. N = 50	3.2800 (1.19591)	2.9401	3.6199		
Non-fiscal levies	S.B.E. N = 16	3.5000 (0.51640)	3.2248	3.7752	0.639	0.530
	M.B.E. N = 22	3.5455 (0.80043)	3.1906	3.9003		
	L.B.E. N = 50	3.3600 (0.69282)	3.1631	3.5569		

\* At the level p < 0.05, a S.S.D. is present  
 Note: S.B.E. (small business entity); M.B.E. (medium business entity); L.B.E. (large business entity)  
 Source: Authors' research

**Table 11: Results of the T-HSD test on the differences between FI depending on the size of the business unit in Serbia in the assessment of the degree of impact of contributions on the TC of Serbia**

	(I)	(J)	MD (I-J)	p*	95% CIM	
					Lower	Upper
Contributions	S.B.E.	M.B.E.	0.41477	0.316	-0.2638	1.0934
		L.B.E.	0.72750	0.012	0.1343	1.3207
	M.B.E.	S.B.E.	-0.41477	0.316	-1.0934	0.2638
		L.B.E.	0.31273	0.339	-0.2157	0.8411
	L.B.E.	S.B.E.	-0.72750	0.012	-1.3207	-0.1343
		M.B.E.	-0.31273	0.339	-0.8411	0.2157

\* At the level p < 0.05, a S.S.D. is present  
 Source: Authors' research

**Table 12: Significance of non-fiscal levies and other taxes (according to the level of investment by FI in Serbia)**

		M (SD)	95% CIM		F	p*
			Lower	Upper		
Contributions	Less than 10 MEUR, N = 25	3.2800 (0.84261)	2.9322	3.6278	0.389	0.761
	From 11 to 50 MEUR, N = 36	3.0556 (0.79082)	2.7880	3.3231		
	From 51 to 100 MEUR, N = 14	3.2857 (1.06904)	2.6685	3.9030		
	Over 100 MEUR, N = 13	3.1538 (1.14354)	2.4628	3.8449		
Fees	Less than 10 MEUR, N = 25	3.2800 (1.13725)	2.8106	3.7494	1.341	0.267
	From 11 to 50 MEUR, N = 36	2.8611 (0.86694)	2.5678	3.1544		
	From 51 to 100 MEUR, N = 14	3.2857 (0.72627)	2.8664	3.7051		
	Over 100 MEUR, N = 13	3.2308 (0.92681)	2.6707	3.7908		
Excise duties	Less than 10 MEUR, N = 25	3.1600 (1.21381)	2.6590	3.6610	0.454	0.715
	From 11 to 50 MEUR, N = 36	3.0278 (0.90982)	2.7199	3.3356		
	From 51 to 100 MEUR, N = 14	3.1429 (1.02711)	2.5498	3.7359		
	Over 100 MEUR, N = 13	2.7692 (1.01274)	2.1572	3.3812		
Customs duties	Less than 10 MEUR, N = 25	3.6800 (1.21518)	3.1784	4.1816	0.511	0.676
	From 11 to 50 MEUR, N = 36	3.3611 (0.99003)	3.0261	3.6961		
	From 51 to 100 MEUR, N = 14	3.2857 (1.06904)	2.6685	3.9030		
	Over 100 MEUR, N = 13	3.3846 (1.50214)	2.4769	4.2923		
Non-fiscal levies	Less than 10 MEUR, N = 25	3.4800 (0.65320)	3.2104	3.7496	2.330	0.080
	From 11 to 50 MEUR, N = 36	3.2222 (0.72155)	2.9781	3.4664		
	From 51 to 100 MEUR, N = 14	3.7143 (0.72627)	3.2949	4.1336		
	Over 100 MEUR, N = 13	3.6154 (0.50637)	3.3094	3.9214		

\* At the level p < 0.05, a S.S.D. is present  
 Source: Authors' research

the size of FI investment in Serbia, affect Serbia's TC. The results of ANOVA on the possible existence of S.S.D. in the assessment of the impact of non-tax levies and other taxes on the TC of Serbia and depending on the amount of investment made in Serbia are presented in Table 12.

However, the results of ANOVA show that there are no S.S.D. between FI in Serbia, depending on their level of investment, when it comes to assessing the influence of non-fiscal levies and other taxes on Serbia's TC.

These S.S.D. were not found, as there was no S.S.D. at the  $p < 0.05$  level in the assessment of the influence of non-tax levies and other taxes on the TC of Serbia, i.e. the difference in the impact of taxes, fees, excise duties, customs duties and non-fiscal taxes between the group of FI who invested up to 10 MEUR in Serbia and groups of FI who invested between 11 and 50 MEUR in Serbia, on the one hand, groups of FI who invested between 11 and 50 MEUR in Serbia and groups of FI who invested between 51 and 100 MEUR in Serbia, on the other hand, on the other side, a group of FI who have invested between 51 and 100 MEUR in Serbia and a group of FI who have invested over 100 MEUR in Serbia on the third side, and a group of FI who have invested up to 10 MEUR in Serbia and a group of FI who have invested over 100 MEUR in Serbia on the fourth side.

## Conclusions

Tax competitiveness refers to a country's ability to attract and retain FDI through favourable and competitive tax policies. It shapes investor perceptions, influences decision-making processes and contributes to a country's overall economic development. Policy makers must carefully review and adjust tax policies to maintain competitiveness in the global marketplace and capitalise on FDI opportunities. Countries that manage FDI effectively generally see improvements in a variety of economic competitiveness indicators, contributing to long-term economic growth and development.

The goal of every country is to create a favourable environment for investors, which is reflected in the fact that it offers better business conditions than competing countries. All developing countries, including Serbia, consider

FDI as an important source of economic development. Therefore, it is very important for Serbia to succeed in attracting a significant amount of FDI every year, which contributes to the economic growth and development of the country. In this regard, Serbia has received more than 4 billion dollars in FDI every year for the last five years. This clearly indicates that the state expects FDI to exceed 5 billion dollars in the next period.

The relationship between non-fiscal levies and FDI is a key factor in creating a favourable and competitive investment environment. Countries that manage non-fiscal costs effectively, ensuring transparency, efficiency and alignment with global standards, are more likely to attract and retain FDI. Beyond taxes, policymakers should also consider the broader regulatory landscape to create a business-friendly climate that promotes sustainable economic development. The impact of duties, tariffs, fees, and excise taxes on FDI is complex and affects a country's cost structure, competitiveness and overall attractiveness as an investment location. Policy makers must carefully consider the impact of these financial obligations in order to create a business-friendly environment that favours both domestic and FDI.

The main goal of this research was to determine whether non-fiscal levies and other taxes (customs duties, excise duties, contributions, and fees) affect Serbia's TC, based on primary data obtained through the use of the survey technique (by e-mail). That is, to what extent are non-fiscal levies and other taxes important for FI when deciding whether to invest capital in Serbia or to continue their investments if the investor is already operating in Serbia. Regarding the impact of non-fiscal levies and other taxes on Serbia's TC, the largest number of FI believe that the impact of taxes, i.e. contributions, fees, excises, and levies, on Serbia's overall TC is neutral. However, when it comes to non-tax levies, their impact on overall TC is considered significant by the largest number of FI, especially from the group of global and multinational companies.

The findings of this study reveal several crucial facts:

1. No S.S.D. were found in the assessment of the impact of non-fiscal levies and other taxes on Serbia's TC between FI operating in the manufacturing sector and FI operating in the services sector.

2. FI belonging to the group of M.C. and G.C. assessed the impact of contributions, fees, excise duties and customs duties on the TC of Serbia as more significant than the opinion of FI belonging to the group of R.C. On the other hand, FI belonging to the group of R.C. and G.C. estimated that the impact of non-tax levies on the TC of Serbia is more significant than the opinion of FI belonging to the group of M.C.
3. No S.S.D. were found between FI depending on the way they entered the Serbian market, which clearly indicates that non-fiscal levies and other taxes are not of crucial importance for a FI, regardless of whether it is an indirect or direct investment.
4. Investors categorised as small companies believe that the impact of taxes on Serbia's TC is more significant than investors categorised as large companies.
5. The impact of non-fiscal levies and other taxes on TC was not determined when considered according to the size of a FI investment in Serbia, regardless of whether the investment is up to 10 MEUR, between 11 and 50 MEUR, between 51 and 100 MEUR and over 100 MEUR.

A competitive tax system can attract business, encourage investment and stimulate economic growth. By focussing on these criteria and consistently refining its tax policy, Serbia can promote business growth, attract international investment and support long-term economic development. The designers of future reforms of the Serbian tax system should pay special attention to the reduction of non-tax levies and create opportunities to do so, as this research has shown that most FI consider their impact on overall TC to be very significant, especially those FI belonging to G.C. and M.C. In this way, the Serbian economy can become even more competitive, which will create the conditions for Serbia to be a very attractive investment destination in the future.

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