AGORA International Journal of Economical Sciences, http://univagora.ro/jour/index.php/aijes
ISSN 2067-3310, E-ISSN 2067-7669
Vol. 19, No. 1 (2025), pp. 163-175

# GLOBAL MINIMUM TAX AND THE DETERMINANTS OF CORPORATE TAX REVENUE: AN ECONOMETRIC ANALYSIS FOR THE WESTERN BALKAN COUNTRIES

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***Abstract:*** *The purpose of this paper is to analyze the global minimum tax of 15% for international corporations, the fiscal impact of this policy which is already in force internationally as of January 1, 2025, as well as the determinants of corporate tax revenues, with a particular focus on the Western Balkan countries. The paper relies on secondary data collected from World Bank, the IMF, and Eurostat reports. Data processing is carried out using the STATA software, while the analyzed period covers the last 20 years. The empirical results show that foreign direct investment, GDP per capita, and trade openness have a positive impact on corporate tax revenues, while unemployment has a negative impact. Regarding the global minimum tax, it is seen that this tax has an effect in some countries but does not have a huge impact in some other countries.*

***Keywords:*** *Global minimum tax, corporate tax revenue, economic determinants, trade openness, foreign direct investments, GDP per capita.*

## INTRODUCTION

Corporate income tax is a crucial source of government revenue, especially in developing countries, where it accounts for 15-20% of tax revenues. However, there is a widespread perception that an increasing number of businesses, especially large ones, are paying less tax on their profits. This belief is supported by the ongoing decline in statutory tax rates and the growing competition among states to offer tax incentives, such as tax credits, income exemptions, and lower rates, to attract investments. This paper analyzes the impact of these tax incentives on reducing effective tax rates and how this effect varies depending on firm size (Bachaset al., 2023).

The global minimum tax ensures that corporate profits are taxed at a minimum effective rate of 15%, regardless of the jurisdiction in which they are recorded. If a company reports profit in a country with a lower tax rate, its home country imposes a top-up tax to meet the global minimum threshold. However, there are several important exceptions to this rule. First, the global minimum tax applies only to multinational corporations with worldwide revenues exceeding €750 million. Second, it is not designed to penalize legitimate business

activities in low-tax jurisdictions, as demonstrated by the carve-out rule, which reduces the taxable profit base by considering a firm's tangible assets and labor costs. Third, the tax does not apply to countries where a corporation has only a minimal operational presence (Johannesen, 2022).

The paper is divided into 5 sections. The first part includes the literature review, the second section includes the meta-analysis, the third section includes the scientific methodology and the details of the econometric model. The fourth section includes the statistical analysis and findings of the study, while the last section includes the conclusions and recommendations of this study.

## LITERATURE REVIEW

The 137 member countries that have adopted the OECD framework for a global minimum tax of 15% have the option to either implement the OECD Model Pillar 2 Rules or comply with the adoption of these rules by other nations. The agreement establishes global anti-base erosion (GloBE) rules, ensuring that large multinational corporations with consolidated revenues above €750 million pay an effective minimum tax rate of 15% on "excess profits" generated in any jurisdiction where the effective tax rate falls below this threshold. In such cases, companies must pay the additional taxes either in their home country or in the low-tax jurisdiction. The primary goal of the global minimum tax is to decrease tax competition for investment capital and limit profit shifting by creating a standardized framework for corporate taxation globally (Schjelderup & Stahler, 2024).

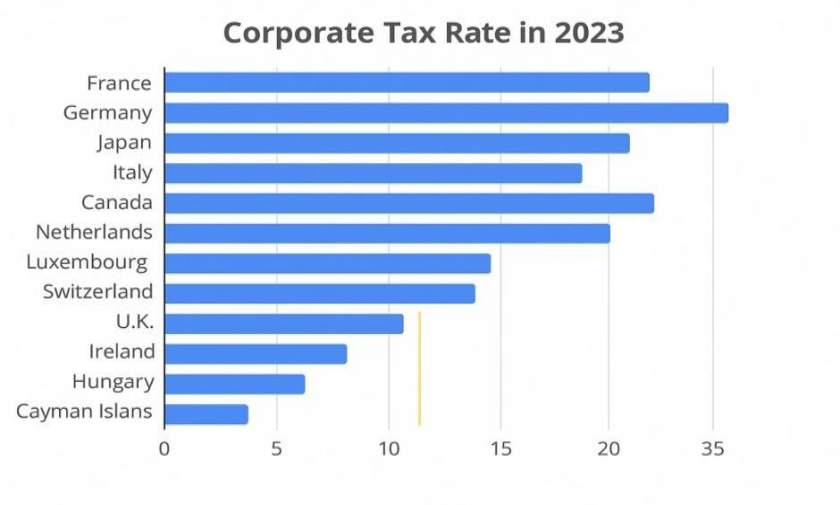
The global minimum corporate tax primarily aimed to prevent the “race to the bottom” and increase corporate income tax rates. This concept suggests that the erosion of the tax base encourages tax competition, which subsequently results in lower corporate income tax rates. Globalization has played a key role in this phenomenon, as financial structures, transfer pricing, and intellectual property licensing have made income more mobile. This trend is evident in empirical data: the average corporate income tax rate, weighted by GDP across 94 countries, dropped from 34.1% in 2005 to 25.4% in 2020, a decline of 8.7 percentage points. Notably, in 2018, the U.S. recorded a significant decrease in the federal corporate income tax rate from 29.7% in 2017 to 26.4%, following a 14% reduction. This shift was greatly influenced by the U.S., which accounts for nearly 25% of the GDP among the 94 analyzed countries(Mintz & Tulkens, 1986).

The goal of the global minimum corporate tax is to mitigate the negative effects of tax base shifting. This is achieved by imposing a minimum tax on profits transferred to low-tax jurisdictions. As a result, this could lead to an increase in corporate tax revenues for tax havens in the Caribbean and low-tax countries like Ireland, which have experienced revenue losses (Mintz, 2022).

According to the research, a global tax deal would look equitable in the long run, with individual countries either gaining or losing tax revenue. As a result, countries would have to adjust their budgets. The corporate tax rates in each country are shown in this chart along with the recommended floor of 15%. Countries that are currently in deficit and/or below the line will move quickly to enact regulations in order to become global tax collectors.

Similarly, countries with surpluses and effective tax rates above the threshold may be reluctant to adopt regulations designed to address this issue (Mrozek, 2023).

**Figure 1.** *Corporate tax rate in 2023*




Sources: (Mrozek, 2023)

The objective of a global minimum tax is to change the nature of international tax competition. According to Devereux et al. (2021), the structure of the tax base for the surcharge has an impact on how the second pillar affects tax competition. Corporations in low-tax countries experience downward pressure on their corporate tax rate due to the methodology used to calculate the surcharge. Furthermore, because source nations can collect the surcharge themselves, they have a tremendous incentive to do so, see Perry (2023). It is argued that the Second Pillar is effective in creating a floor for tax competition in source countries (Devereuxet al., 2022).

**Table 1.** *Definitions of Global Corporate Minimum Tax for Western Balkan Countries*

| Definitions of Global Corporate Minimum Tax |
|---|
| The Corporate Income Tax (CIT) system in Kosovo is based on the principle of worldwide taxation. Taxpayers subject to CIT are Corporations and other legal entities. Organizations and businesses operating with public/state assets. Non-resident persons with permanent residence in Kosovo. Resident taxpayers are generally subject to tax on both foreign and Kosovo-sourced income, while non-resident taxpayers are generally subject to tax only on their Kosovo-sourced income. The CIT rate is 10%. |
| In Albania, non-resident individuals and entities are taxed only on income earned within the country. In contrast, resident entities are subject to taxation on all sources of income, both domestic and foreign. The corporate income tax (CIT) in Albania is set at a rate of 15%. Cit applies to taxable gains, which are determined by deducting deductible expenses from taxable income. |
| Corporate income tax (CIT) is progressively imposed on businesses operating in Montenegro. The realized profit of taxpayers determines the applicable tax level, which varies from 9% to 15%. Residents are subject to profit taxes around the world. Montenegro origin or income attributed to a non-resident taxpayer of Montenegro is subject to taxation. Moreover, non-residents have to pay the |

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|---|
| retention tax for income earned in Montenegro. |
| Serbia - Domestic and foreign income earned by residents is subject to tax. Only income derived from a permanent establishment within Serbian territory is subject to tax for non-residents, the corporate income tax (CIT) rate is 15%. |
| In North Macedonia, CIT is generally due by all resident and non-resident legal companies that conduct business through permanent establishments. Entities that reside in Macedonia are subject to taxes on their international income. The profit realized by non-resident entities through its PE in North Macedonia is subject to taxation. 10% is the CIT rate. |
| The two entities that makeup Bosnia and Herzegovina are the Federation of Bosnia and Herzegovina and the Republika Srpska. Both entities also govern a third territory, the Brčko District (BD). While indirect tax laws are implemented at the state level, direct taxes are imposed at the entity or district level. The Republika Srpska, the Brčko District, and the Federation of Bosnia and Herzegovina are all tax - resident corporations globally. Income earned in the regions of the Federation of Bosnia and Herzegovina, Republika Srpska, and Brčko District is subject to non-resident tax. |

Source: Collecting data from the author (2025)

The corporate income tax (CIT) rate in Singapore stands at 17%, one of the lowest globally, and has played a key role in fostering a pro-business environment by supporting domestic firms and attracting foreign investment (World Bank, 2019). In contrast, Bhutan imposes a CIT rate of 30% on fully taxable firms and 25% on those with limited tax liability, which may hinder entrepreneurial growth. Consequently, the government could consider reviewing tax rates to encourage the establishment of new businesses and allow existing companies to retain a larger share of their profits. This would help increase retained earnings, supporting expansion, growth, or reinvestment in research and development (Shrivastava et al., 2024).

According to the latest data, in 2023 there was an increase in tax revenues in the capital of Ukraine and in 18 other regions, compared to 2022. However, this growth was not evenly distributed across all regions, as only 13 of them showed improvement compared to the same period of the previous year. These findings are consistent with existing literature, which highlights the vulnerability of economic sectors to geopolitical and fiscal contexts, particularly in conflict-affected areas (Mazaraki et al., 2024).

Transfer pricing practices used by multinational companies pose a significant challenge for national economies, especially in developing countries such as those in the Western Balkans. As highlighted in the study on the impact of transfer pricing on the Romanian economy, these practices can lead to substantial losses in fiscal revenues for the state budget, undermining fiscal capacity and the ability to finance public services. Therefore, governments need to strengthen the monitoring and regulation mechanisms of transfer pricing, in line with international best practices, aiming to strike a balance between encouraging foreign investment and preserving the integrity of the tax system. This underlines the need for a global minimum tax that ensures a fair and sustainable framework for taxing multinational corporations, addressing tax avoidance, and contributing to sustainable economic development in the region (Ivan & Ladar, 2017).

***Meta–analysis of research paper***

In this part, a considerable number of scientific works analyzed by the following authors will be analyzed, which will be presented in tabular form and which deal with works with the same theme as our work.

**Table 2**. *Meta-analysis of research*

| *Author* | *Year* | *Title* | *Methodology* | *Finding* |
|---|---|---|---|---|
| (Mintz, 2022) | 2022 | The Global Corporate Minimum Tax: A Cure or Not? | Panel data | The results suggest that, to ensure that passive income is taxed, many countries could take action to tighten their foreign business control rules. It is unclear whether a minimum corporate tax worldwide would be more effective in reducing profit shifting than other focused initiatives, given the complexity of all these regulations. |
| (Johannesen, 2022) | 2022 | The global minimum tax | Meta analysis | From the findings, we can say that the global minimum tax increases the welfare of individuals on the one hand, but also increases government revenue by preventing profit shifting. However, by raising tax rates and shifting resources away from businesses, this reduces their welfare. When profit shifting is paused in some form and the global minimum rate is high enough, there is an undeniable positive net welfare effect. |
| (Mrozek, 2023) | 2023 | The Global Minimum Tax: Hurdles to Implementation of an Effective Tax | Meta analysis | According to the research findings, the OECD will not be able to implement its two -pole strategy by 2024 unless it is noted by all legislative bodies. Large multinational firms, governments around the world, the accounting sector, and the global economy in general should consider these results. The research shows that legislation can be approved and only succeed if the stakeholders cooperate to an extreme extent. |
| (Schjelderup & Stahler, 2024) | 2023 | The economics of the global minimum tax | Meta analysis | It follows that if SBIE is positive, a minimum 15% corporate tax for low-tax subsidiaries is not met. We demonstrate that while Pillar 2 reduces tax motivated transfer prices, it changes employment, investments, and import incentives. Moreover, we show that SBIE is comparable to a production subsidy for a very high part |

| | | | | |
|---|---|---|---|---|
| | | | | of work and/or capital. |
| (Haufler & Kato, 2024) | 2024 | A Global Minimum Tax forLarge Firms Only: Implications for Tax Competition | Meta analysis | The results say it is not certain that tax discrimination always results in lower levels of taxes for small multinational corporations in a business environment. Including a response separated by multinational corporations to take advantage of lower tax levels for small MNEs would be the third and last extension. |

Source: Collecting data from the author (2025)

## SCIENTIFIC RESEARCH METHODOLOGY

The aim of this paper is to analyze the global minimum tax of 15% for international corporations, focusing on the factors that influence corporate tax revenues, particularly in the Western Balkans. To carry out the research, will use secondary data provided by reliable sources from the World Bank, the International Monetary Fund, Eurostat, and others. Also, in the literature review part, we will focus on the works of different authors,together with relevant books by experts in the fields of finance, economics, and taxes. Also, we will focus on various international conferences, numerous reports and safe resources from the Internet. The study will use panel data covering 20 years (2004-2023) and the countries we will analyze are (Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, Serbia, and Albania). For data processing, we will use the STATA software program. The importance of the paper lies in its aim to provide real and consistent results that can shed light on corporate taxes and economic growth. The variables included in this research are: dependent variable (CIT) and independent variables (Foreign direct investment, Gross domestic product per capita, Trade openness,and Unemployment).

The data will be processed in the STATA program and to prove the validity of the hypotheses of this study, we will apply the following statistical tests: descriptive statistics, correlation analysis, linear regression, random effect, fixed effect, Hausman – Taylor regression and GMM. Arellano Bond Valuation Model, Generalized Valuation Equations (GEE Model).

The hypothesis of the study is:

*H0: Economic determinants have a positive and significant impact on corporate tax revenues in the countries of the Western Balkans.*

*H: Economic determinants don't have a positive and significant impact on corporate tax revenues in the countries of the Western Balkans.*

The research questions of the research are:

1. What are the effects of the Global Minimum Tax on the economic determinants in these countries?
2. Does the impact of the Global Minimum Tax differ between the different countries of the Western Balkans?
3. What are the main economic factors affecting corporate tax revenues in Western Balkan countries?

**Table 3.** *Description of the variables included in the econometric models*

| Variables | Description of variables | Data source |
|---|---|---|
| Dependent variable (Y) | Corporate Tax Revenues (% GDP) | Annual reports of the Bank World (2004-2023) |
| Independent variable (X1) | Foreign direct investment (% of GDP) | Annual reports of the Bank World (2004-2023) |
| Independent variable (X2) | Gross domestic product per capita (annual %) | Annual reports of the Bank World (2004-2023) |
| Independent variable (X3) | Trade openness (% GDP) | Annual reports of the Bank World (2004-2023) |
| Independent variable (X4) | Unemployment (%) | Annual reports of the Bank World (2004-2023) |

Source: Data obtained by authors (2025)

The econometric model that will be used in this study is specified as follows:

$$CTI = \beta_0 + \beta_1 FDI + \beta_2 GDPC+ + \beta_3 TO + \beta_4 UNMP + \gamma it$$

Where:

*CTI – Corporate Tax Revenues*

*FDI – Foreign direct investment*

*GDPpercap – Gross domestic product per capita*

*TO– Trade openness*

*UNMP – Unemployment*

*γ – stochastic variables (other factors not considered in the model)*

*i – code and t – time period*

## ECONOMETRIC ANALYSIS AND FINDINGS OF THE STUDY

In the chapter, the results will be presented through econometric analysis, where in this part the hypotheses presented in the research will be tested and we will try to get answers to the research questions presented earlier. Initially, descriptive statistics, correlation, linear regression, fixed effect model, random effect model, Hausman Taylor Estimation, GEE Model, and GMM Model. All these results will be extracted through the STATA program.

In the following table, descriptive statistics will be presented for the variables included in the research. We will analyze the number of observations, the average, the standard deviation, the minimum, and the maximum of these variables.

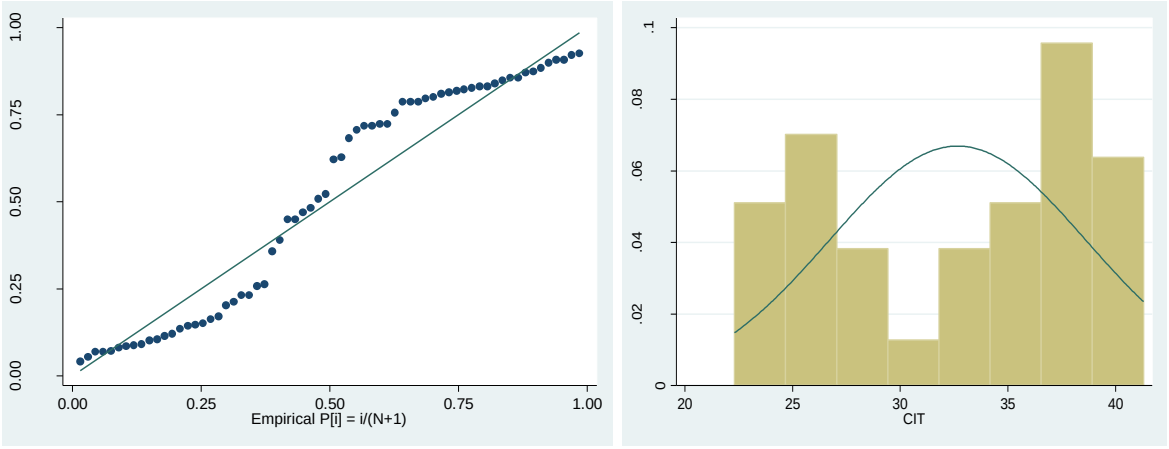
**Table 4**. *Descriptive statistics for the variables included in the econometric model*

| Variables | Obs. | Mean | Std. Deviation | Minimum | Maximum |
|---|---|---|---|---|---|
| FDI | 120 | 3.65 | 3.570326 | -15.2 | 13.4 |
| CIT | 66 | 32.66515 | 5.961066 | 22.3 | 41.3 |
| GDPpercap | 105 | 6.949524 | 5.149517 | .1 | 37.3 |
| TO | 120 | 91.9725 | 26.35181 | 0 | 168.8 |
| UNMP | 100 | 19.949 | 7.190348 | 8.7 | 37.3 |

**Source:** Author's calculations in Stata (2025)

Based on the data obtained from descriptive statistics, we can observe that the sample of our work is 120 observations, as for the average, we see that the variable with the highest average is TO. If we analyze the part of the standard deviation, we can notice that we have the highest value of the standard deviation in the TO variable as well, in the part of the minimum value is the CIT variable, and as for the maximum value, again the TO has the highest value.

**Figure 2**. *Graphic representation of the histogram*




Source: Authors' calculations in Stata (2025)

Based on the graphical representation of the histogram, we see that between the dependent variable of GDP and the independent variable, there is a normal distribution of these variables included in the analysis.

**Table 5.** *Correlation analysis for the variables included in the econometric model*

| Variables | CIT | FDI | GDPpercap | TO | UNMP |
|---|---|---|---|---|---|
| CIT | 1.0000 | | | | |
| FDI | -0.2172 | 1.0000 | | | |
| GDPpercap | 0.1052 | 0.2679 | 1.0000 | | |
| TO | 0.0197 | -0.2007 | 0.1035 | 1.0000 | |
| UNMP | 0.0856 | -0.3585 | 0.0495 | -0.0260 | 1.0000 |

Source: Authors' calculations in Stata (2025)

The correlation table shows the relationships between the five main economic variables: CIT, FDI, GDPpercap, TO and UNMP.

The correlation between CIT and FDI is -0.2172, suggesting a weak negative relationship between these two variables. This implies that an increase in corporate taxes is associated with a small decrease in foreign direct investment, although the relationship is weak.The correlation is 0.1052, indicating a very weak positive relationship between CIT and GDP per capita. This implies that an increase in GDP per capita is associated with a small increase in corporate taxes, but the relationship is negligible.The correlation is 0.0197, indicating an almost insignificant relationship between CIT and TO. This result suggests that

there is no significant relationship between corporate taxes and the level of open trade.The correlation is 0.0856, indicating a weak positive relationship between CIT and the unemployment rate. This may mean that an increase in corporate taxes is associated with a small increase in unemployment, but this relationship is weak.

The following is the analysis of statistical tests performed through the STATA program, such as linear regression, random effect, fixed effect, Hausman - Taylor Regression, GMM Model -Generalized Estimating Equations (GEE Model).

$GDP = \beta_0$-.5552252+ $\beta_1$.3855899+ $\beta_2$.0154152+ $\beta_3$.7088763+ $\beta_4$5552252+ $\gamma$it

**Table 6.** *Econometric results and empirical findings of the study*

| Variables | Linear Regression | Random Effects – GLS Regression | Fixed – Effects Regression | Hausman – Taylor Regression | GEE Model | GMM Model |
|---|---|---|---|---|---|---|
| CIT | - | - | - | - | - | - |
| FDI | -.1617591 (0.000)*** | -.2958505 (0.056)** | -.5338307 (0.008)** | -.5328499 (0.008)** | -.5312379 (0.008)** | -.148731 (0.373) |
| GDPpercap | -.2415487 (0.249) | .3855899 (0.004)** | .4978438 (0.001)*** | .4822447 (0.002)** | .4768369 (0.002)** | .5684211 (0.000)*** |
| TO | .0049486 (0.475) | .0154152 (0.054)** | .0222733 (0.067)** | .0185606 (0.093)* | .0184015 (0.093)* | .0012802 (0.931) |
| UNMP | .8297792 (0.000)*** | .7088763 (0.044)** | .0491625 (0.141) | .0415701 (0.174) | .0411805 (0.175) | .046002 (0.230) |
| Const. | 1.023933 (0.144) | -.5552252 (0.703) | -.9106561 (0.600) | -1.399409 (0.558) | -.3690647 (0.826) | |
| R Square | 0.4737 | 0.4095 | 0.0428 | - | | |
| Adj.$R^2$ | 0.4503 | 0.3448 | 0.0198 | - | | |

Source: Authors' calculations in Stata (2025)

*Explanation: P-values are shown in brackets: *** indicates statistical significance at the 1% level; ** indicates statistical significance at the 5% level and * indicates 10% statistical significance.*

Based on the econometric results in the table above, we can conclude that some of the independent variables are significant at the 1%, 5%, and 10% levelsFor interpretation purposes, we will base our analysis on the Random Effects GLS model, where all results in this regression are significant.

β0 - If all other factors are constant, then CIT will be -0.5552252units.

β1 – If Foreign Direct Investment increases by one unit holding all other variables constant, then CIT will decrease by -0.2958505 units. This statement is correct since the values are within the 5% confidence interval, because (p-value = 0.056=0.05).Increased Foreign Direct Investment often leads to increased corporate tax revenues. This effect occurs because FDI increases economic activity and company profits. The increase in the number of companies and the improvement of the business environment stimulate more economic activity and other investments, contributing to a continued increase in corporate tax revenues.

β2 – If GDP per cap increases by one unit keeping all other variables constant then CIT willincreaseby 0.3855899units. This statement is correct since the values are within the 5% confidence interval, because (p-value = 0.004<0.05).An increase in Gross Domestic Product (GDP) per capita usually leads to an increase in corporate tax revenues. This is because a higher GDP per capita typically indicates increased economic activity and living standards, which boosts demand for products and services, and consequently, corporate profits.Better economic conditions, along with increased private consumption and investment, contribute to heightened business activity and boosted corporate tax revenues.

β3 – If the trade openness increases by one unit, keeping all other variables constant, then CIT will increase by 0.0154152units. This statement is correct since the significance value is within the 5% confidence interval, because (p-value = 0.054=0.05).Increased trade openness, which includes increased imports and exports, can boost economic activity and create new opportunities for companies. This often leads to increased profits for businesses that benefit from expanded markets and increased sales volumes. Furthermore, increased trade openness can stimulate additional investment and create a more favorable business environment, helping to increase tax revenues.

β4 - If Unemployment increases by one unit keeping all other variables constant then CIT will increaseby 0.7088763units. This statement is correct since the significance value is within the 5%confidence interval, because (p-value = 0.044<0.05). Rising unemployment typically leads to a decrease in consumption and demand for products and services, negatively impacting company profits. With less income and a weaker economic environment, companies may cut back on investment and hiring, further reducing corporate tax revenues. Additionally, increasing unemployment can deteriorate the business environment and impact economic sustainability, leading to a potential decline in corporate tax revenues.

**Table 7.** *Heteroscedasticity test*

| Breusch-Pagan / Cook-Weisberg test for heteroskedasticity<br>H0: Constant variance<br>Variables: fitted values of CIT | | |
|---|---|---|
| | | |
| Chi2 (1) | = | 1.40 |
| Prob > chi2 | = | 0.2365 |

Source: Authors' calculations in the Stata program (2025)

Breusch-Pagan/Cook-Weisberg test results indicate that there is insufficient evidence to suggest heteroskedasticity in the regression model. With a p-value of 0.2365, which is greater than the significance level of 0.05, the hypothesis of constant variance (homoscedasticity) is not rejected. This indicates that the errors in the model have a constant variance and it is not necessary to make adjustments for heteroscedasticity.

**Table 8.** *Tests of normality*

| Skewness/Kurtosis tests for Normality | | | | | |
|---|---|---|---|---|---|
| Variable | Obs | Pr (Skewness) | Pr (Kurtosis) | adj chi2 (2) | Prob>chi2 |
| resid | 65 | 0.8880 | 0.0000 | 15.21 | 0.0005 |
| | | | | | |

Source: Authors' calculations in the Stata program (2025)

*Skewness:* The high p-value (0.8880) suggests that there is no problem with skewness of the residuals.
*Kurtosis:* A very low p-value (0.0000) suggests that there is a significant deviation from the normal distribution in terms of kurtosis.
*Joint Test:* The p-value of the joint test (0.0005) shows that, in general, the residuals do not follow a normal distribution, suggesting that the model may have problems with the assumption of normality of the errors.
Overall, this result indicates that the distribution of the residuals is not normal, mainly due to a problem with kurtosis.

**Table 9.** *VIF test*

| Variable | VIF | 1/VIF |
|---|---|---|
| GDPPERCAP | 1.37 | 0.731420 |
| UNMP | 1.20 | 0.832592 |
| FDI | 1.15 | 0.872143 |
| TRD | 1.09 | 0.915363 |
| Mean VIF | 1.20 | |

Source: Authors' calculations in the Stata program (2025)

The test results (VIF) show that there is no significant collinearity problem between the independent variables in your model. All VIF values are below 10, with an average of 1.20, suggesting that the independent variables are stable and not affected by collinearity. This shows that your model is reliable and the regression coefficients are stable.

## DISCUSSIONS/CONCLUSIONS

The purpose of this research was to analyze the global minimum tax of 15% for international corporations and to examine the determinants of corporate tax revenues, specifically focusing on the Western Balkan countries. We successfully analyzed several factors and developed an econometric model, which yielded some significant results.

Analysis of the results shows that foreign direct investment, GDP per capita, and trade openness positively influence corporate tax revenues. This conclusion is supported by the econometric models used in this research. The other independent variable, which is unemployment, turns out to hurt corporate tax revenues. From here we say that most of the analyzed countries have been good in this aspect, but some other analyzed countries still need to work on this issue.The Global Minimum Tax is a type of initiative led by the OECD/G20,

which aims to establish an effective minimum tax of 15% for multinational corporations with revenues over 750 million euros. As we discussed in the paragraphs above, the purpose of this tax is to reduce tax avoidance and set a floor in tax competition between countries.

Research shows that this tax is present in some Western Balkan countries, while others do not implement it.North Macedonia: The Republic of Macedonia adopted the law on the global minimum tax on corporate income in December 2024, implementing the OECD/G20 Pillar Two rules. The law entered into force on January 1, 2025. Montenegro: This country has not yet formally adopted the Pillar Two rules in its tax legislation. But importantly, this country has taken steps toward improving tax policies, including the introduction of transfer pricing rules and progressive taxation as of January 1, 2022(CMS, 2023).Serbia: although it has not yet implemented the regulations on the global minimum tax, the corporate income tax rate is 15%, in line with the rate proposed by the OECD. However, it is believed that due to various tax incentives, the effective tax rate may be lower than 15%(Karanovic, 2024).Kosovo, Bosnia and Herzegovina and Albania: so far these countries have not taken concrete steps towards implementing the global minimum tax.

The concept of this tax may still be new to many countries and involves a complex process that requires alignment with both domestic and international legislation. As a result, Western Balkan countries may be at varying stages of this process, and further developments are anticipated in the future. Examining other countries worldwide, which have been analyzed by different authors, reveals the presence of this tax in those regions as well. Given its importance, we say that this tax should be taken more seriously even by countries that do not yet implement it.

During the implementation of this research, we also encountered several limitations that sometimes made the work difficult. A major limitation was the lack of information regarding the global minimum tax for the Western Balkan countries, there was no literature review for these countries since it was an unexplored topic, and we encountered a lack of data for some variables. We hope that in the coming years, this gap in the literature review section will be filled with sufficient information.

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