

Shaping the Future: Perspectives on European Economies

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Abstract

Although they have existed in European economies for more than a hundred years, double taxation treaties have not been the subject of academic attention for a long time. However, in parallel with the globalization of business, contracts have seen a significant expansion over the last three decades. These agreements can encourage foreign direct investment, but, on the other hand, can facilitate the relocation of profits to tax havens in order to avoid income taxes. Therefore, when applying the contract, it is necessary to consider all the advantages and disadvantages of the contract. The aim of the paper is to examine the bilateral agreements applied by Serbia, as well as the potential for improving the contract network. The research showed that Serbia implements agreements with a large number of countries (more than 60), although they are primarily European countries. It was noted that Serbia also applies agreements with most of the largest global investors, as well as with most of the largest foreign investors in Serbia. The paper identifies countries with which the agreement is expected to be implemented in the near future, as well as countries with which Serbia should negotiate the avoidance of double taxation. In addition, it was noted that Serbia is implementing agreements with some countries, which can be treated as potential tax havens. Therefore, certain recommendations were made to the managers of companies (primarily multinational companies) and the

competent state authorities.

Keywords:

double taxation, bilateral agreements, tax avoidance, withholding tax, profit tax, Serbia.

Introduction

Conditions for liberalization in one state. Deductible tax refers to the taxation of income earned by a non-resident in the state national markets and the globalization of the economy have highlighted, among other things, the issues of taxation of international transactions, ie avoidance of taxation of the same transaction in two countries. Zarb (2011, p. 50) notes that the issue of double taxation avoidance has become particularly pronounced with the development of cross-border trade, multinational companies and business digitalisation.

Bećirović-Alić (2017, p. 60) notes that double taxation occurs if two tax authorities of the same rank are laid right on the taxation of the same person for the same tax structure in the same period. This situation implies that a certain person can be demotivated to undertake a certain transaction if he knows that he will bear a significant tax burden on that basis, which slows down economic activity and leads to suboptimal economic growth.

Therefore, in the past made significant efforts towards the avoidance of double taxation, in which the agreement on avoiding double taxation occupies a very important place (Friedlander & Wilkie, 2007, p. 907). These contracts are primarily related to the elimination of withholding tax, to the tax structure was taxed only which imposes taxes (Šimurina & Rajković, 2015, p. 154). In more detail, withholding tax is a tax that a non-resident is obliged to pay to resident tax authorities on the basis of earned income. Default is the payer of this tax resident

person who is obliged to the payment of income deduct a certain amount of tax, and hence and this name of this group of taxes.

The subject of research are agreements on avoidance of double taxation that applies Serbia. Agreements on avoidance of double taxation between the European states existed in the nineteenth century (Arbutina & Kovačević, 2014, p. 222), although significant attention academia occupy only in the last three decades, with respect to this that it identified their dual role. Namely, in addition to facilitating the international business of companies, double taxation agreements have become an important tool in the application strategy of tax evasion, ie moving profits to tax havens.

The paper has two main goals. The first goal of the paper is to look at the network of double taxation treaties applied by Serbia, ie to look at the countries with which the treaty is in force. The second goal of the work is a critical consideration of the need to expand the network of treaties, ie consideration of the need to implement treaties with additional countries.

The research in this paper complements the results of previous, relatively few, studies in Serbia on the avoidance of double taxation. Also, a large part of this research (for example Hrustić, 2014, p. 730; Bećirović-Alić, 2017, p. 59; Popović, 2018, p. 57) primarily dealt with the legal aspects of the double taxation agreement. In contrast, in this work is the focus on the economic aspect of the application of the contract.

The results of the research can be useful to a number of stakeholders. In particular, the results can be useful to company managers when organizing international transactions, or to managers of multinational companies when planning the tax burden on a global level. Also, the research can be useful to national tax authorities in controlling international transactions of companies or competent ministries in improving the business environment to attract foreign investors.

Apart from the introduction and conclusion, the paper consists of three parts. In the first part of the theory explained the role and importance of the contract on avoidance of double taxation. Functioning of contracts in practice is explained in the second part of the paper, while in the third part of the paper the network of contracts applied by Serbia is analyzed in detail.

Theoretical basis

Trouble

Double taxation usually results from overlapping aspirations of different tax authorities to collect taxes (Rixen & Schwarz, 2009, p. 442). Namely, the tax authorities of one country want to tax the foreign income of one person because he is a resident of that country, while the tax authorities of another country want to tax the same income because it was earned in their country.

In theory, double taxation can also be eliminated by unilateral measures, when one state, in part or in full, relieves the tax burden of income taxed in another state (Weyzig, 2013, p. 911). However, in practice, it is not uncommon for double taxation to be eliminated by mutual agreement of two or more countries, ie by applying double taxation treaties.

Double taxation treaties can be bilateral (between two countries) or multilateral (between several countries) . Popović (2018, p. 157) notes that the number of these agreements at the global level is expressed in thousands, with dominance bilateral agreements. In doing so, although they may differ significantly from each other, double taxation treaties are usually built on the guidelines of the Organization for Economic Co-operation and Development - OECD or the United Nations - UN (Davies, 2004, p. 775). The number of multilateral agreements , on the other hand, is relatively small, but with the prospect of more significant development in the future.

In practice, the application of the contract is to reduce the total tax burden on certain international enterprise, where it consists of tax on income paid in state business tax after deduction of paid when transactions between entities of different residency and tax on income paid in their home country (Petkova et al., 2020, p. 576).

Brown & Zagler (2014, p. 266) analyzed determinants that increase the likelihood of applying treaties between states. They argue that the application of the contract likely among the major countries and states that are in a greater extent rely on foreign direct investment. In addition, countries that are geographically closer are more likely to implement a bilateral agreement. Also, a common language and historical connection (for example in the form of colonies) increases the likelihood of applying the treaty.

Primenjena ugovora there are several roles in avoiding double taxation. Daurer (2014, p. 695) highlights the following basic roles:

elimination of double taxation;

proper allocation of tax revenues between the tax authorities of different countries;
prevention of tax evasion and tax evasion and attracting foreign direct investment.

In modern business conditions expressed tax competition between states (Devereux et al., 2008, p. 1210), who labor to reducing the tax burden to attract more investment in comparison to other countries. In this regard, double taxation treaties are often seen as a way to mitigate tax competition (Chisik & Davies, 2004, p. 1119), given that withholding tax rates, tax rates and tax breaks have been agreed jointly by foreign two or more states.

Some authors point out both the advantages and disadvantages of double taxation treaties. Pham et al. (2019, p. 172) believe that the implementation of the agreement has a positive effect on the volume of foreign trade of developing

countries. However, they also believe that the implementation of the agreement has no impact on a significant increase in exports or a decrease in foreign trade deficits of these countries, with respect to this application to contract significantly more increase imports from developed countries to developing countries than exports from the country in the development of the developed countries.

This means that, although there are many positive aspects, states must be careful about the potential shortcomings of the agreement. Consideration of the shortcomings is particularly true in less developed countries (Daurer, 2014, p. 695) that the application of the contract may remain without work tax revenues after deducting necessary for financing economic development.

In fact, the largest part of the agreement on avoidance of double taxation is applied between countries significantly different at the level of economic development (Brown & Zagler, 2014, p. 242). In this case, it is especially important to monitor the allocation of tax revenues between these countries. Dagan (2000, p. 939) considers that the application of the contract in this case exhibits more negative than positive characteristics. Namely, she believes that there is a spillover of tax revenues from less developed to more developed countries, observing this as one of the cynical goals of the double taxation treaty.

The waiver of part of the withholding tax revenue is calculated on the increased attraction of foreign direct investment. That would mean Additional benefits for the state, such as attracting new technologies and technological knowledge, but also increase revenue from taxes on income to foreign investors pay. However, the positive effect of the application of double taxation treaties on foreign direct investment has not been fully proven in practice (Neumayer, 2007, p. 1501; Baker, 2014, p. 341), which calls for caution when applying such contracts.

In addition to the potential loss of tax revenue, Barthel et al. (2010, p. 368) analyze other shortcomings in the application of double taxation treaties. Namely, negotiation and implementation of contracts cause significant expenditures of

resources in terms of invested time and money. Also, significant efforts are needed to harmonize versions of contracts in different languages of the contracting parties. Sometimes the provisions of the contract are not in line with national legislation which then needs to be amended. Finally, treaties pose a threat to one's fiscal sovereignty States.

Functioning of the double taxation avoidance agreement in practice

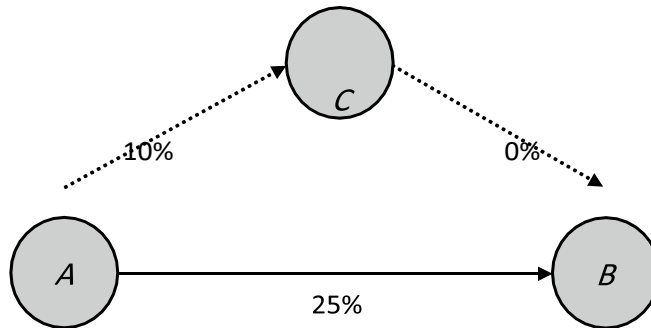
Double taxation treaties are usually seen as a prerequisite for significant investments of foreign investors in the domestic economy. Transition countries also view these agreements as a precondition for greater participation of foreign investors in the privatization process. In addition, contracts are viewed as a legal prerequisite for a more efficient economy and the competitiveness of domestic enterprises in foreign countries.

In itself the contracting process to avoid double taxation is necessary to invest significant resources, with regard to the fact that this process usually is very lengthy. Thus, after the initial contacts and negotiations between the state delegations, an agreement on the avoidance of double taxation is signed, which is then ratified, in order to enter into force. A detailed procedure of concluding such contracts are dealt Sertic (2013, p. 85).

In international practice investors, and especially multinational companies, it is common for investments to be organized in a way that minimizes the burden of withholding tax (Petkova et al., 2020, p. 603). On figure 1 is shown an example of such an investment. Investor from B (home country) invests in state A (state enterprise), where the country A imposes a tax payment of 25% on dividend payments to residents state B. Therefore, the investor forms an entity in state C (intermediary state) and organizes investments in state A through it. In fact, states A and C apply agreement on avoidance of double taxation, so that dividends paid to the intermediary entity are taxed at a rate of only 10%. Also, countries B and C

apply the agreement at a rate of 0% or countries C simply do not require the payment of taxes by deduction.

Figure 1: Double taxation treaties and intermediary entities



Source: Author, according to: Nakamoto & Ikeda (2018, p. 479).

Unfortunately, multinational companies before the introduction of double non-taxation and loss shifting are used for moving the gain in tax havens with which less tax burden by withholding. Thus, country B can be a tax haven where profits from country A move to (for example, through contracting loans, licenses for the use of intangible assets, etc.). In order for the relocation of profits to be burdened with taxes withholding of up to 25%, the gain is first moved to the intermediary country C, and then get out of it moves into a tax paradise B.

The practice of using contract on avoidance of double taxation for purposes of migration gains in tax havens are in practice connected with the phenomenon of double non-taxation (Kysar, 2020, p. 1756). Namely, in this situation, the relocated profit will not be taxed either in the state in which it originated (business state) or in the state to which it was relocated (tax haven). In

other words, the implementation of the agreement enabled the transition from double taxation to double non-taxation.

In this connection, an interesting attitude Barletta (2019, p. 157) which is considered to be a significant part of foreign investments in Serbia is realized via the Netherlands, Luxembourg and Switzerland, where investments in Serbia over these states are realizing that multinational companies as well as domestic investors. Enumerated countries are characterized by a relatively favorable tax system, and Serbia applies double taxation agreements with them.

Law on Corporate Profit Law ("Official Gazette of RS", no. 25/2001 ... 153/2020) is stipulates that, in the general case, the withholding tax rate in Serbia is 20%. This rate is primarily applied to dividends, interest and royalties paid to non-resident legal entities. Also, the subject of taxation are fees from leases and subleases on the territory of Serbia, as well as fees from market research services, accounting and auditing services and other services in the field of legal and business consulting, regardless of where they are provided or used.

However, the withholding tax burden can be completely eliminated or partially reduced if there is an agreement between Serbia and the country of residence of a foreign person on the avoidance of double taxation in force. Such contracts usually prescribe the application of a lower tax rate compared to the tax rate that would be applied in the general case. It is much rarer that a complete exemption from withholding tax is prescribed .

Although each agreement on avoidance of double taxation has certain specific features, possible is identify the general structure of the treaty applied by Serbia. Thus, contracts usually begin with defining the area of application of the agreement, ie determining the persons and taxes to which the contract applies. After that , the given definitions of key importance for the implementation of the contract.

Subsequent articles of the double taxation treaty are usually reserved for income taxation and property taxation. These articles are usually relatively numerous and define a number of issues. For example, these articles determine in which state a certain type of income is taxed, as well as whether the right to tax a certain income is limited to only one state that applies the treaty.

In the next part of the contract is usually determined by methods for elimination of double taxation. The agreement then sets out special provisions that normally deal with the provision of equal treatment for residents of both countries, ie procedures for agreement and exchange of information between the countries that will apply the agreement. Finally, the contract ends closing conditions which are, typically, defining the entry contract in force.

The application of double taxation treaties can be relatively complex, in the sense that it is enforceable lower rates from the contract conditioned by the fulfillment of certain assumptions. This often happens in the case of withholding tax on dividends paid, where the application of a lower rate is conditioned by a certain threshold of ownership that the shareholder must have in the company of the payer.

Furthermore, in order for the lower tax rates from the double taxation agreement to be applicable at all, it is necessary for the non-resident recipient to submit a certificate of residency. It is a certificate proving that the recipient of funds is a resident of the state with which the contract is applied.

In Serbia, a form is prescribed (POR-2) on which the recipient of funds should prove his / her residency. However, in practice, is a common situation that the recipient of funds residency proves form from your state, but it then application of lower tax rates causes a translation of the form into Serbian by a court interpreter. It is common for residency certificates to be valid for one calendar year.

The effect of the application of double taxation agreements can be illustrated by a brief example of a company that has, among others, three non-resident

shareholders. This company pays dividends in the gross amount of one hundred dinars per share. The calculation of the net dividend for all three mentioned shareholders is given in Table 1.

Table 1: Impact of double taxation treaties on the amount of withholding tax

	Ownership residency		
	Portugal	Romania	China
Gross dividend (in RSD)	100	100	100
Deductible tax rate	20%	10%	5%
Withholding tax (in RSD)	20	10	5
Net dividend (in RSD)	80	90	95

The first mentioned shareholder is a resident of Portugal and he will receive the lowest amount of net dividend because Serbia has not signed a contract with Portugal, so in this case the usual rate of 20% applies. Other mentioned shareholder is a resident of Romania and he will get a little higher amount of net dividends with respect to the fact that Serbia and Romania have signed a contract in the application which is provided for application of the rate of 10% on such transactions. Similar is true for the third mentioned shareholders, resident of China, with which Serbia has signed the application, which is envisaged application of a rate of only 5%.

Agreements on avoidance of double taxation in serbia

According to the Ministry of Finance of the Republic of Serbia (2021), at the end of June 2021.

Serbia has been in the process of implementing double taxation agreements with as many as 61 countries. The list of these countries is given in the table 2. Practically, Serbia does not lag significantly behind other transition and post-transition countries, which also follow the trend of concluding agreements with a large number of countries (Arbutina & Kovačević, 2014, p. 244). For example, data of Croatian Tax Administration (2021) at the end of June 2021 year show that Croatia has contracts in the application of the 66 states.

From Table 2, it is noticeable that most of the countries with which Serbia has agreements on the avoidance of double taxation in implementation are European countries. At the same time, Serbia has agreements in force with 26 of them 27 members of the European Union (EU). Also, Serbia has a contract in the application with the United Kingdom which has been a member of the EU. The only EU country with which Serbia does not have an agreement is Portugal, with which negotiations were suspended in 2018. The draft agreement between the two countries has been formed, but the delegation of Serbia and Portugal have failed to agree on certain important members of the draft contract.

Table 2: List of countries with which Serbia has an agreement on the avoidance of double taxation in implementation

Albania	Iran	Pakistan
Austria	Italy	Poland
Azerbaijan	Israel	Republic of Ireland
Belgium	Armenia	Romania
Belarus	South Korea	Russia
Bosnia Herzegovina	and Canada	San Marino
Bulgaria	Qatar	North Korea
Montenegro	Kazakhstan	Northern Macedonia
Czech Republic	China	Slovakia
Denmark	Cyprus	Slovenia
Egypt	Kuwait	Spain
Estonia	Latvia	Sri Lanka
Finland	Libya	Switzerland
France	Lithuania	Sweden
Greece	Luxembourg	Tunis
Georgia	Hungary	Turkey
The Netherlands	Malta	United Arab Emirates
Hongkong	Moldova	United Kingdom
Croatia	Germany	Ukraine
India	Norway	Vietnam
Indonesia		

Source: Ministry of Finance of the Republic of Serbia (2021). Double taxation treaties. Available at: www.mfin.gov.rs/propisi/ugovori-o-izbegavanju-dvostrukog-oporezivanja (June 30, 2021).

It is important to point out that Serbia has agreements in force with everyone former members of the Socialist Federal Republic of Yugoslavia (SFRY). Also, agreements with some developed European countries, which are not members of the EU, such as Norway or Switzerland, are in force.

In the context of African countries, Serbia has agreements on the avoidance of double taxation applicable exclusively to the countries of the far north of the continent - Egypt, Libya and Tunisia. Also, the Serbian delegation conducted negotiations with the Algerian delegation, and in 2018, a draft agreement was even initialed. However, the agreement between Serbia and Algeria is still not in force.

It is noticeable that Serbia lacks a larger number of agreements with African countries. The reason for this claim should be sought in the fact that many Serbian companies are expanding their business to the African continent, establishing related legal entities, even in the countries of sub-Saharan Africa. Thus, Serbian companies from various activities (from construction, through trade, to organizing sports betting) are establishing related legal entities in countries such as Angola, Kenya, Mozambique, Uganda or Zambia. It is clear that the non-existence of contracts can be an obstacle to the development of these companies on the African continent.

Over the last few years, significant progress has been made in negotiations with Asian countries. The most recent examples are the agreements with Japan and Singapore, although they are not yet in force. The agreement on avoiding double taxation with Japan was signed in 2020, and was confirmed by the National Assembly of the Republic of Serbia, but has not yet entered into force. He expects this agreement is to be applied from 2022. Also, the agreement with Singapore was signed in 2021, although it has not yet entered into force.

Having in mind the trend that transition and post-transition countries attract capital from the countries of the Arabian Peninsula (Cibula et al., 2021, p. 58), it is

important to point out that Serbia has agreements in force with three countries from this part of Asia. These are Qatar, Kuwait and the United Arab Emirates.

On the other hand, it is worth noting that Serbia recently lost the agreement on avoiding double taxation with one Asian country. Namely, from the beginning of 2019, the agreement with Malaysia, which was signed by the SFRY in 1991, ceased to be valid. The termination of the agreement is a consequence of Malaysia's position that the agreement should not be applied, ie that the delegations of the two countries should negotiate a new agreement.

Regardless of the continent being observed, it is noticeable that Serbia does not have agreements with some important countries on the global market. For example, the only country on the American continent with which Serbia is implementing the agreement is Canada. This means that Serbia does not have an agreement with important countries such as Argentina, Brazil, Mexico or the United States. Also, Serbia does not have an agreement with Australia or New Zealand.

In fact, if we look at the OECD countries, it can be concluded that Serbia is implementing double taxation agreements with 28 of the 38 members of this organization. States with which it does not apply agreement are Australia, Chile, Iceland, Japan, Colombia, Costa Rica, Mexico, New Zealand, Portugal and the United States.

Also, Serbia is implementing agreements with five of the seven highly developed countries from the so-called Group 7 (G7). The agreements apply with Italy, France, Canada, Germany and the United Kingdom, while they do not apply with Japan and the United States.

It is interesting to examine the extent to which residents of Serbia can apply double taxation agreements in relations with residents of growing economies.

These are countries that are taking an increasingly significant share in the global gross domestic product, but also an increasingly important share in the global list of the most important investors. As examples of growing economies often are taken BRICS members and MINT (Fernandez-Rodriguez et al., 2021, p. 692), and Serbia's relations with these countries in terms of the contract are presented in the table third From Table 3, it can be noticed that Serbia has agreements on avoiding double taxation with some of the growing economies. Investors from some of those countries, such as Russia and China, have already made significant investments in the Serbian economy. On the other hand, Serbia does not apply agreements mostly with more distant growing economies, ie economies from the African and American continents.

Table 3: Double taxation treaties between Serbia and growing economies

Panel A. BRICS members		Panel B. Members of the MINT	
State	Contract in force	State	Contract in force
Brazil	Born	Mexico	Born
Russia	Gives	Indonesia	Gives
India	Gives	Nigeria	Born
China	Gives	Turkey	Gives
South Africa	Born		

Given that the agreements on avoidance of double taxation can influence on attracting foreign investors (Petkova et al., 2020, p. 603), it is important is to examine and to what extent Serbia has in the implementation of agreements with countries that are the biggest global investors. Based on the data of the World

Bank (The World Bank, 2021) for 2019, as the last available year, the ten largest investors have been identified. The status of agreements with these countries is given in Table 4.

Table 4: Double taxation agreements between Serbia and the largest global investors

R.b.	State	Amount (in millions of dollars)	Contract in force
1.	Japan	251.557	Born
2.	SAD	188.470	Born
3.	Germany	134.940	Gives
4.	China	97.703	Gives
5.	The Netherlands	78.212	Gives
6.	Canada	76.172	Gives
7.	Switzerland	72.845	Gives
8.	France	55.721	Gives
9.	British Virgin islands	41.013	Born
10.	Hongkong	37.767	Gives

Source: The World Bank (2021). World Bank Open Data. Available at: data.worldbank.org (June 30, 2021); Position used: Foreign Direct Investment, Net Outflows (BoP, Current US \$).

Table 4 shows that Serbia has contracts in implementation with seven of the ten largest global investor. However, it is important to point out that Serbia has no implementation agreements with the two largest investors, Japan and the United States. Also, the agreement does not exist with the British Virgin Islands, because Serbia considers this territory a tax haven, according to the rulebook which regulates the list of jurisdictions with a preferential tax system.

In addition to global investors, it is important to monitor the situation regarding contracts with the largest foreign investors in Serbia. Based on the data of the National Bank of Serbia (2021), the largest net investors for 2020 have been identified . The amount of net investments was obtained by subtracting the investments of Serbian residents abroad from the investments of non-residents in Serbia. How are economic flows in 2020 were marred by the pandemic virus, were used and data for the 2019 year. The status of agreements with these countries is given in Table 5.

The data from Table 5 indicate that Serbia does not have an agreement on avoiding double taxation with only one country from the top ten largest investors - the United States. Also, this finding may indicate and that the foreign investors use the country with which Serbia has signed agreements when organizing investments in Serbia. It is interesting to note that the same countries would be found on the lists for 2019 and 2020 year , and when the criterion used as total non-resident investment in Serbia, and not only net investment.

A special danger when applying the agreement on avoidance of double taxation is the possibility of signing agreements with countries that represent tax havens. In fact, the existence of agreements with these states makes it easier to move profits from the state of business to tax havens and avoid paying income taxes in this way.

There is an official list of tax havens in Serbia, regulated by the Rulebook on the list of jurisdictions with preferential tax system ("Official Gazette of RS", No. 161/2020) and Serbia has no agreements with those countries on avoiding double taxation. However, Hrustić (2014, p. 744) notes that the official list is characterized by certain deficiencies, such as the fact that there was not found a number of territories that potentially reputed to tax havens, such as the Netherlands, Luxembourg and Switzerland. However, Serbia is implementing double taxation agreements with these countries.

Additionally, Garcia-Bernando et al. (2017, p. 6) have developed one of the most recent lists of tax havens. They believe that , among others, Cyprus, Luxembourg, Malta and Hong Kong are some of the largest traditional tax havens (final destinations).

Table 5: Double taxation agreements between Serbia and the largest foreign net investors in Serbia

R.b.	State	Amount (in millions of euros)	Contract in force
Panel A. Data for 2019			
1.	The Netherlands	801,6	Gives
2.	Russian Federation	558,7	Gives
3.	Hungary	512,3	Gives
4.	Germany	339,9	Gives

5.	Switzerland	335,7	Gives
6.	Austria	301,5	Gives
7.	China	260,4	Gives
8.	SAD	186,8	Born
9.	Luxembourg	144,2	Gives
10.	Italy	91,8	Gives
Panel B. Data for 2020			
1.	The Netherlands	708,7	Gives
2.	Slovenia	466,0	Gives
3.	China	366,8	Gives
4.	Germany	336,6	Gives
5.	Austria	138,1	Gives
6.	Hongkong	112,1	Gives
7.	United Kingdom	105,5	Gives
8.	SAD	79,9	Born
9.	Russian Federation	68,8	Gives
10.	Malta	62,3	Gives

Source: National Bank of Serbia (2021). Balance of payments. Available at: www.nbs.rs/sr/drugi-ni-vo-navigacije/statistika/platni_bilans (June 30, 2021).

financial resources) in the world, ie that the Republic of Ireland, the United Kingdom, the Netherlands and Switzerland are some of the largest intermediary tax havens (channels for the transfer of financial resources to traditional tax havens).

It is interesting to note that Serbia is implementing double taxation agreements with all these countries.

In the context of contracts with tax havens, it is important to mention two more interesting ones data. Serbia has been implementing an agreement on avoiding double taxation with San Marino since the beginning of 2019. Until then, San Marino was on the official list of tax havens used in Serbia. However, at the beginning of the implementation of the agreement, the conditions were met for San Marino to be deleted from the list of tax havens. Similar circumstances have been noted in relations with Hong Kong, with which the agreement has been in force since the beginning of 2021. Until then, Hong Kong was also on the official list of tax havens.

Conclusion

Study of network contracts on avoidance of double taxation that is applied in Serbia, as well as the potential for improvement of the network. The economic aspect of the implementation of such agreements is relatively poorly examined in Serbia. On the other hand, Serbia represents a transitional state which is in significantly relies on foreign direktneinvesticije. In this context, double taxation treaties are often seen as an instrument to attract foreign investors.

Although it is a transitional and relatively small country, which is not one of the most developed European countries, Serbia applies an enviable number of agreements on avoiding double taxation. Condition on at the end of June 2021, it shows that agreements with as many as 61 countries are in force, while agreements with some of the most developed countries on a global level are also being implemented. In this regard, with the exception of Portugal, Serbia is implementing agreements with all EU members. Also, agreements are in force with most of the largest global investors, as well as with most of the largest foreign investors in Serbia.

However, the paper have identified specific areas in which in the future should pay attention. First, the implementation of the agreement with Japan, as one of the

most developed countries in the world, is expected in the near future . However, in the future, we should strive to implement agreements with some of the most developed countries, such as the United States.

Secondly, we should aim for the implementation of the contract and with some less developed countries in which Serbian investors in recent years significantly invest. The paper identifies some of these countries, primarily African. Third, the paper points out that Serbia is implementing agreements with some countries that are considered potential tax havens, so strict control of agreements with these countries is necessary .

Knowledge of contract on avoidance of double taxation can be of particular benefit to managers of multinational companies when opening a branch in a foreign country. In fact, the managers of these companies should be that good study the tax treatment of transactions between the home country and the country of business, that should be to consider the option of investing through the intermediary of the country in case of unfavorable tax treatment between parent and state business. Also, national tax authorities should strictly monitor the implementation of contracts or transactions with applicable countries for potential tax havens to prevent migration gain in tax havens or that would allow equitable tax treatment of all enterprises.

The research in this paper should be viewed in the light of certain limitations. First, double taxation treaties are a dynamic category. The analysis in this work is carried out at the end of June 2021, it is possible that the findings and recommendations in the work differed in the case of application to another date. Secondly, there is not no need to be transferred to other transitional countries, considering it to be even countries at the same level of economic development may significantly differ in terms of application of the contract.

Given that they are an extremely current topic, double taxation treaties should to be the subject and further research. Thus, a similar research should be conducted

in the future, after the signing and implementation of the announced contracts. Also, it would be desirable to conduct similar research in countries with similar levels of economic development, in order to compare the research findings. In addition, it would be important to examine the impact of contracts on foreign direct investment in transition and post-transition countries.

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