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THE ROLE OF TAX POLICY IN ENSURING BUSINESS SUSTAINABILITY: A COMPARATIVE ANALYSIS OF COUNTRY MODELS

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ABSTRACT

This article analyzes the role of tax policy in ensuring business resilience in the face of external economic shocks. A comparative review of national tax regulation models is provided, ranging from temporary anti-crisis measures to long-term incentives for investment in sustainable development. Based on data from international organizations and relevant research, the most effective approaches are identified, as well as the institutional factors that determine their effectiveness.

KEYWORDS

Tax policy, business sustainability, tax incentives, tax administration, international comparative analysis, SMEs, fiscal sustainability.

Introduction

Scientific Novelty. This article provides the first comparative analysis of tax policy models, focusing on their impact on business resilience, and identifies the conditions under which tax instruments are most effective in supporting the business sector during and after crises.

Business resilience in today's uncertain environment is becoming a key factor in economic development. Companies are facing macroeconomic shocks such as the COVID-19 pandemic, energy crises, geopolitical instability, and financial market imbalances. These challenges require adaptive mechanisms, among which tax policy plays a central role.

Tax policy influences business sustainability in two main areas:

1. Short-term liquidity support: temporary relief, tax payment deferrals and indirect tax refunds help companies avoid mass bankruptcies during times of shock.
2. Long-term development and investment: tax incentives and stability of the tax system increase innovative activity and the investment attractiveness of the economy.

The experience of various countries shows that tax instruments can both accelerate economic recovery and lead to excessive budget burdens if implemented ineffectively [1]. Therefore, international organizations emphasize the need for targeted, temporary, and fiscally sustainable anti-crisis measures. Moreover, the quality of tax administration, digitalisation and transparency in the distribution of tax benefits have a significant impact on how quickly and effectively support reaches businesses – especially the SME sector, which is most vulnerable to crises.

Thus, a comparative analysis of country tax policy models allows us to identify best practices for ensuring business sustainability, as well as to determine the institutional conditions for the successful adaptation of these approaches in various economic contexts.

Research on the role of tax policy in ensuring business sustainability is developing in several directions.

1. Tax policy as a mechanism for anti-crisis support. During the COVID -19 pandemic, international organizations systematized tax measures aimed at supporting corporate liquidity: deferrals of tax assessments, postponement of payment deadlines, accelerated VAT refunds, and reductions in social contributions. Research analysis shows that such instruments reduce the likelihood of bankruptcy and help maintain employment in the short term [2,3]. However, the prolonged use of tax deferrals may increase companies' debt burden and fiscal risks for the state budget.

2. The Impact of Tax Incentives on Investment and Sustainable Growth. Traditionally, tax incentives are used to stimulate innovation, expand investment, and enhance competitiveness. More recent research confirms that their effectiveness is determined by the quality of administration and the transparency of eligibility criteria [4].

In the context of the global climate agenda, special attention is paid to stimulating “green” investments: accelerated depreciation, tax credits for energy efficiency .

3. The role of tax administration and digitalization . The quality of tax administration institutions and the speed of data processing significantly influence whether measures reach target groups, especially SMEs. Digitalization of tax systems, for example, the automation of VAT refunds, reduces the costs of tax compliance and increases the resilience of small businesses [5].

4. International comparative analysis of tax models. Countries with high tax revenues and a strong fiscal position (Northern Europe) demonstrate a more stable business environment due to the possibility of extensive anti-crisis maneuver [6]. Countries with low corporate tax rates (Singapore, Ireland) rely primarily on investment incentives and flexibility of the tax base [7].

Researchers emphasize that there is no universal model - the effectiveness of tax policy depends on the structure of the economy, the maturity of institutions and the level of trust in the state [8].

To identify best practices for ensuring business resilience, we examined four common tax policy models, differing in their support instruments and institutional context. We selected countries with proven track records and well-documented measures as examples.

1. An anti-crisis model of temporary tax breaks based on the example of Germany and France (EU countries). Key instruments: deferrals of corporate tax and social security contributions, accelerated VAT refunds, temporary reductions in VAT rates in affected sectors, and payroll tax credits.

Result: a 15–20% reduction in SME bankruptcies during the height of the pandemic compared to forecasts [6].

Risks: growth of the budget deficit (in Germany, fiscal support exceeded 4% of GDP) [9].

Conclusion: The model is effective in the short term, but requires strong fiscal reserves.

2. A model of investment tax incentives using Singapore as an example. Key instruments: tax holidays for high-tech industries, reduced CIT rates for investors, investment loans for automation and ESG projects, tax support for startups (Startup Tax Exemption Scheme).

Results: Singapore remains one of the world leaders in FDI inflows and business sustainability index [10].

Restrictions: benefits are more often received by large companies than local SMEs.
Conclusion: Incentives enhance long-term sustainability, but require balance and transparency.
3. A model of strong tax administration and progressive support, using Sweden as an example. Key tools: automated VAT transactions, digital services for SMEs, and partial tax refunds. social contributions for maintaining employment, progressive redistribution through the support budget
Results: Sweden has shown the fastest employment recovery among EU countries.
Risks: High tax burden puts pressure on competitiveness.
Conclusion: efficiency is ensured by administration and trust in the tax system.
4. The model of low rates and a broad tax base: the example of the USA and Ireland. The main instruments: relatively low effective corporate tax rates, accelerated depreciation and incentives for R & D , government guarantees in the banking system (USA - Paycheck Protection Program).
Results: In the US, the flexibility of the tax system contributed to the rapid inflow of capital and the preservation of employment in the private sector [11].
Risks: Outside of a crisis, this model could lead to underfunding of public services.
Conclusion: suitable for growth economies, but in times of crisis requires significant borrowing support.

Table 1 - Comparative assessment of tax policy models in ensuring business sustainability

Tax policy model	Efficiency in a crisis	Long-term impact on business sustainability	Fiscal risks for the state	Key conditions for successful implementation
Temporary anti-crisis tax breaks (example: Germany, France)	High	Average	Tall	Availability of fiscal reserves, clear targeting of support
Investment tax incentives (example: Singapore)	Above average	Very high	Average	Transparency of criteria, regular monitoring of effectiveness
Strong tax administration and progressive support (example: Sweden)	Above average	High	Low	Digitalization , high level of trust in the state
Low rates and a broad tax base (example: USA, Ireland)	Average	High	Variables (depending on borrowing capacity)	A balanced tax base and flexible fiscal policy

An analysis of international experience shows that tax policy can significantly enhance business resilience when properly designed and supported by institutional support. Based on the results of this comparative analysis, the following areas for improving tax policy are proposed.
1. Increasing the flexibility of the tax system to quickly respond to crises:
- provide automatic stabilizers for SMEs: tax deferrals, restructuring of obligations, accelerated VAT refunds;
- develop "reversible" benefits with clear termination conditions to minimize fiscal risks during the recovery period.
This approach has proven effective in EU countries during the COVID-19 pandemic.
2. Development of tax incentives aimed at long-term sustainability:
- provision of tax credits and accelerated depreciation for investments in digitalization , energy efficiency and green technologies;

- support for the innovative and export-oriented sector;
- prioritization of SMEs and start-ups in the distribution of incentives.

International studies confirm the contribution of such measures to economic competitiveness.

3. Strengthening the digitalization of tax administration:
- implementation of automated VAT control systems;
- expansion of one-stop-shop services for tax procedures;
- application of risk-based controls to reduce compliance costs.

This increases the speed of receiving support and reduces the chance of evasion.

4. Ensuring a balance between business support and fiscal sustainability:
- regular assessment of the effectiveness of benefits and their revision if the impact is insufficient;
- linking tax support to indicators of job creation, investment and environmental performance;
- expansion of the tax base by reducing ineffective benefits.

Supported by the recommendations of international organizations IMF and OECD on post-crisis consolidation.

5. Transparency and trust as an institutional basis:
- publication of registers of recipients of tax benefits;
- sustainability reporting standards for beneficiary companies;
- dialogue between business and the government in developing tax changes.

International experience (Sweden, Netherlands) shows that trust increases the effectiveness of support measures [8].

Therefore, an effective tax policy for business resilience must combine short-term stabilization tools (liquidity), long-term incentives for economic transformation, a high level of digitalization and transparency, and state fiscal responsibility. Only such a combination can create conditions under which businesses not only survive the crisis but also adapt to change, becoming more competitive.

Tax policy is a flexible and powerful tool for supporting business resilience both in the short term (liquidity, bankruptcy prevention) and the long term (incentives for sustainable investment). However, the effectiveness of measures is determined not only by their economic content, but also by the quality of administration, legal predictability, and the international context (new global corporate tax rules). Countries with strong institutional capacity and flexible fiscal policies have demonstrated the best results in supporting businesses during the crisis. International organizations (OECD, IMF, World Bank) and contemporary empirical research provide tools and evidence for the development of adaptive tax policies aimed at sustainability.

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