Taxation of Corporate Profits in Romania and Poland: Key Similarities and Differences

Oana Oprișan
"Ovidius" University of Constanta, Faculty of Economic Sciences, Romania
oana.oprisan@yahoo.com

Abstract

This paper conducts a comparative analysis of profit taxation systems in Romania and Poland, considering the fiscal, economic, and social impact of this type of direct tax. Profit tax, applied to the taxable income of legal entities, significantly influences public revenues, investment decisions, and the economic behavior of agents. The study aims to highlight how differences in the structure, rates, and fiscal policies of the two countries affect the competitiveness of the business environment and the equitable distribution of resources.

The purpose of this study is to analyze the extent to which differences between the tax systems in Romania and Poland influence the behavior of economic agents, affect the competitiveness of the business environment, and determine the orientation of public policies by examining how tax structures shape decisions, market dynamics, and governmental approaches.

The overall objective is to identify the similarities and differences in the structure and policies of profit taxation in the two countries.

Key words: fiscal system, taxes, corporate income tax, fiscal policy, tax competitiveness
J.E.L. Classification: H25, H21, H32, H87, F36

1. Introduction

In the current global economic context, taxation plays a fundamental role not only in mobilizing public financial resources, but also in shaping the behavior of economic agents. Among the taxes with a major impact on entrepreneurial decisions and on attracting investment is income tax, a direct tax applicable to the financial results of the enterprise, with direct implications for the profitability of economic activities. As one of the main instruments of fiscal policy, this tax is regulated differently in each jurisdiction, depending on the economic priorities, administrative capacity, and socio-political context of the state.

Romania and Poland are emerging economies in Central and Eastern Europe, both members of the European Union, in the process of fiscal consolidation and alignment with European directives. Their economic development is marked by ongoing efforts to integrate EU fiscal standards while maintaining growth and stability within their national frameworks. Although they share common features, such as post-communist transition and pro-investment orientation, the two countries have adopted distinct fiscal strategies regarding profit taxation, including applicable rates, special regimes for SMEs, research and development incentives, and the approach to profit reinvestment.

The choice of this topic is justified by the growing importance of tax competitiveness in a globalized economic climate and the need for EU Member States to balance the need to attract private capital with budgetary sustainability. At the same time, in an era where digitalization, sustainability, and good governance are becoming key priorities, it is necessary to critically reflect on the effectiveness of current tax policies and how they stimulate responsible economic behavior.

From a scientific perspective, a comparative analysis of corporate income tax between two EU member states allows for a better understanding of the relationship between taxation, economic performance, and voluntary compliance. By correlating statistical data, macroeconomic indicators, and the legislative framework, the research proposes a rigorous assessment of the impact of fiscal policies on investment, economic development, and budgetary balance.

The purpose of this paper is to compare the profit taxation systems in Romania and Poland to identify the main similarities and differences, their economic implications, and possible directions for improvement in Romania in the context of European convergence.

The main objective is to assess the efficiency and attractiveness of national tax systems in relation to their impact on investment and tax compliance.

The main research questions are:

- To what extent does the structure of profit tax influence the fiscal competitiveness of the two countries?
- How do tax policies contribute to attracting foreign direct investment?
- What good practices from Poland can be adapted to the Romanian context?

Through the proposed comparative and analytical approach, the paper contributes to the substantiation of possible tax reforms and offers relevant perspectives for academia, decision-makers, and investors interested in Central and Eastern Europe.

2. Literature review

Income tax is one of the most studied areas of taxation, as it has a direct impact on public resources, companies' economic decisions, and the investment attractiveness of an economy. In economic and financial literature, numerous authors have analyzed the role and efficiency of this tax in various national and international contexts, emphasizing the relationship between the tax rate, tax compliance, capital mobility, and the redistributive effects of fiscal policy.

Fundamental concepts regarding income tax. Musgrave and Musgrave (1989) conceptually substantiated the distinction between the allocative, redistributive, and stabilizing functions of taxation, arguing that direct taxes, such as income tax, play a central role in ensuring fiscal equity and directing resources toward strategic priorities. Similarly, Tanzi and Zee (2000) stressed that income tax must be evaluated not just by the revenue it brings to the budget, but also by the distortions it may cause in economic behavior. They highlighted the importance of considering both fiscal outcomes and the broader economic consequences when assessing income tax. The focus should not be limited to how much money is collected, but also include how taxation influences decisions made by individuals and businesses. Their approach underlines the dual impact of income tax, both as a tool for generating public funds and as a factor affecting economic activity.

Economic theory recognizes that, although corporate income tax has a solid justification in the equitable redistribution of the tax burden, its application can reduce incentives for investment, innovation, and business expansion. These effects are even more important in emerging economies, where the entrepreneurial environment is still fragile and sensitive to excessive fiscal pressures (Auerbach & Poterba, 1987; Gravelle, 2014).

Taxation models and their impact on the business environment. The classic profit taxation model, based on calculating the difference between total income and deductible expenses, is applied in most countries, with significant variations in terms of rates, tax base, preferential regimes, and tax incentives. In recent years, more research has focused on effective tax rates (ETR) as a more relevant indicator than the statutory rate in assessing the actual tax burden on firms (Devereux & Griffith, 2003).

In an analysis of 28 European countries, Spengel et al. (2020) demonstrated that the differences between the statutory and effective rates can be significant due to deductions, tax credits, and favorable treatment of certain types of income or investments. In this perspective, the effective tax rate provides a more realistic picture of a country's tax competitiveness and is often used by investors to assess the attractiveness of a business environment.

Tax compliance and evasion in relation to income tax. An important issue addressed in recent literature is that of tax compliance and tax evasion in relation to corporate income tax. Kirchler (2007) and Alm et al. (2012) highlighted the role of trust in public institutions and the perception of fairness of the tax system in determining the degree of voluntary compliance. In emerging economies, the level of tax evasion associated with income tax remains high, significantly affecting the efficiency of fiscal policy (IMF, 2023).

In this regard, Romania is often cited in European Commission and OECD reports as an example of a country with a relatively low level of tax revenue collection relative to GDP, despite an attractive statutory rate. In contrast, Poland has managed to increase compliance by digitizing the Polish National Revenue Administration, introducing electronic tax registers, and strengthening administrative capacity (OECD, 2022).

Tax incentives and investment promotion policies. Tax incentives for investment and research and development have become common practice in Central and Eastern Europe to attract foreign capital and encourage structural transformation of economies. According to a PwC report (2023), Romania offers limited incentives for profit reinvestment, particularly in technological assets, while Poland has implemented the Estonian model (CIT Eston), which allows taxation to be deferred until profits are distributed.

The literature shows that these measures can have a positive effect on company capitalization, reducing short-term tax pressure and stimulating reinvestment (Zee et al., 2002; Loretz, 2008). Tax credits for R&D are also considered effective in attracting innovative companies, with a positive long-term impact on productivity and economic competitiveness (Hall & Van Reenen, 2000; Evers, Miller & Spengel, 2015).

Taxation and foreign direct investment (FDI). Another common theme in the literature is the analysis of the relationship between taxation and foreign direct investment flows. According to studies conducted by De Mooij and Ederveen (2008), when the effective tax rate decreases by one percentage point, the volume of foreign direct investment (FDI) can increase, on average, by 2.9%, which highlights the sensitivity of international investors to the actual level of the tax burden. However, this relationship is influenced by other factors such as legislative stability, infrastructure quality, skilled labor, and integration into global value chains.

Compared to other countries in the region, Poland has managed to become a regional hub for FDI thanks to a predictable tax framework and coherent policies to attract investors (UNCTAD, 2022). Romania, on the other hand, despite applying a 16% rate—among the lowest in the EU—has had difficulty maintaining a steady pace of FDI, an issue associated in the literature with regulatory instability and the lack of an integrated incentive system (Dragotă & Ciobanu, 2021).

Tax harmonization in the European Union. At the European Union level, the literature reflects intense debates on the need to harmonize profit taxation systems, in the context of high capital mobility and the phenomenon of "tax competition" between states. Projects such as BEFIT (Business in Europe: Framework for Income Taxation) or the OECD's Pillar II on global minimum tax have generated a new wave of research on the impact of harmonization on national fiscal autonomy (Fuest et al., 2011; Devereux et al., 2021).

Poland and Romania are actively involved in these processes, but the literature emphasizes that the benefits of harmonization depend on the ability of states to implement administrative and digital reforms that support the new rules. In this regard, the digitization of ANAF, the implementation of SAF-T, and e-Invoicing are topics recently addressed in Romanian applied research, with a focus on reducing the tax gap (Cojocariu, 2022).

Gaps and contribution of this research. Although there is extensive literature on the analysis of taxation at the European level, comparative studies between Romania and Poland remain relatively few and fragmented. Most studies either focus on descriptive analyses or treat the two countries separately. There is a lack of research that compares in depth the efficiency of corporate tax systems, correlating fiscal indicators, compliance, investment incentives, and macroeconomic impact.

This paper aims to help bridge that gap by offering a systematic, up-to-date, and policy-oriented analysis that can help both researchers and tax policymakers find effective and adaptable solutions in the context of European convergence.

3. Research methodology

This paper is based on a mixed methodological approach, combining qualitative and quantitative analysis, to make a rigorous comparison between the profit taxation systems in Romania and Poland. The main method used is comparative analysis, which has made it possible to highlight the differences and similarities between the two tax regimes in terms of efficiency, investment attractiveness, and economic sustainability.

From a quantitative perspective, statistical data were gathered and examined regarding legal and effective tax rates, profit tax revenue in the state budget, the share of foreign direct investment (FDI) in GDP, the level of tax compliance, and tax evasion estimates. This analysis involved assessing numerical indicators related to taxation and investment to provide a clear understanding of the fiscal environment. Each data set contributed to forming an overall picture of how profit taxation affects economic behavior and government income. The investigation focused strictly on measurable figures to ensure objective evaluation of the relationship between taxation and economic performance. The information presented was obtained from official and credible sources, including the National Agency for Fiscal Administration (ANAF) for data from Romania, Statistics Poland for data from Poland, as well as international reference institutions such as Eurostat, the Tax Foundation, the Organization for Economic Cooperation and Development (OECD), and the European Commission. The data was processed using descriptive methods, highlighting the evolution of the indicators over a five-year period (2020–2024) and the correlations between them.

In terms of quality, the research focused on the legislative analysis of the tax codes applicable in both countries, the assessment of tax incentives for investment and innovation (including the exemption regime for reinvested profits, facilities for research and development activities, and special economic zones), as well as the interpretation of the economic implications of national tax policies. It also looked at how the tax regime contributes to the overall competitiveness of the economy and to attracting investment.

The paper also included elements of European tax benchmarking, comparing the two systems to major trends in the European Union, such as tax harmonization, global minimum tax, and the transition to sustainable taxation. This approach enabled the formulation of relevant conclusions and recommendations for improving fiscal policies in Romania, inspired by Polish best practices.

In conclusion, the methodology applied allowed for an in-depth, multidimensional, and contextualized analysis of the subject, highlighting not only the technical differences between the two tax systems, but also their economic and strategic implications in the current European context.

4. Findings

Following the research undertaken, which combined qualitative and quantitative analysis of the profit taxation systems in Romania and Poland, a series of relevant results were identified that reflect the structure, functioning, and impact of these tax systems during the period 2020–2024. The analysis was based on official data, legislative sources, and comparative assessments, with the aim of capturing the complexity of the tax phenomenon and its economic implications.

Tax rates and tax architecture. A comparative analysis of corporate income tax rates in Romania and Poland highlights significant differences in both the statutory rate and the effective tax rate. Romania applies a statutory corporate income tax rate of 16%, i.e. a level set by law, which represents the official percentage of a company's profit that must be paid as tax to the state. On the other hand, Poland has a higher statutory rate of 19%.

When analyzing the effective tax rate, the actual tax paid versus accounting profit changes. In Romania, this rate is around 14.4%, lower than the 16% statutory rate.

One reason is the extensive use of deductions and incentives, such as investment exemptions, accelerated depreciation, or tax credits.

Another explanation is inefficient tax collection, including tax evasion or weak administrative capacity that lowers actual revenues.

In Poland's case, the effective tax rate is close to the legal rate, sitting around 19.3%. This suggests that tax rules are enforced more strictly and that deductions or tax breaks have less impact on the tax actually paid. It may also indicate more efficient tax administration and better tax compliance.

Thus, by comparing these two countries, significant differences can be observed in the structure and application of tax systems, which influence budget revenues and the business environment.

Special regimes and tax incentives. A comparative analysis of special tax regimes and incentives for SMEs and investments in innovation in Romania and Poland reveals significant differences in the tax policies applied by the two countries.

In Romania, there is a special tax regime for micro-enterprises, which consists of a reduced tax rate of only 3%. This regime is intended for small businesses, with relatively permissive eligibility conditions — that is, the turnover thresholds and other criteria required to benefit from this reduced rate are easier to meet compared to Poland. This tax measure aims to support the development and growth of small businesses by reducing the tax burden.

In contrast, Poland applies a reduced rate of 9% for micro-enterprises, but with stricter eligibility conditions. Poland also offers a tax model inspired by the Estonian system, which allows certain companies to defer income tax until dividends are distributed. This approach is more flexible, as companies can reinvest profits in their business without paying tax immediately, thus stimulating growth and continuous development.

When it comes to reinvested profits, the differences are notable. Romania offers tax breaks only for profits reinvested in technological equipment, thus limiting the scope of application to investments in new or modernized technologies. This measure encourages the modernization of productive capacities but may restrict options for reinvesting profits in other areas.

Poland, through the Estonian tax deferral model, allows for much more flexible and unlimited reinvestment of profits, without immediate taxation, until the money is distributed to shareholders in the form of dividends. This system stimulates not only investment in equipment, but also in other types of activities or business expansion.

In terms of incentives for research and development (R&D), Romania applies a tax deduction of 50% of eligible expenses, i.e., a reduction of half the amount spent on innovation, technological research, or product development activities. This represents significant support, but it is more modest compared to Poland.

Poland offers much more generous tax deductions, up to 100% for research and development expenses, which means that companies can deduct these costs in full from their tax base. Furthermore, companies located in special economic zones benefit from additional facilities, such as local tax exemptions or other advantages, which further strengthens support for innovative investments and regional development.

Thus, Poland applies a more flexible and generous tax policy to stimulate SMEs and innovation, while Romania has a more restrictive regime, but one that still offers support through reduced rates and specific deductions.

Tax collection efficiency and evasion. A comparative analysis of tax collection efficiency in Romania and Poland reveals significant differences in the ability of the two tax systems to ensure the correct and complete payment of income taxes. A relevant indicator in this regard is the tax gap, i.e., the estimated difference between the tax that should theoretically be paid based on income and the tax collected.

In Romania, this tax gap is estimated at around 25%, which means that a quarter of the taxes that should ideally be collected do not reach the state budget. This indicates a significant proportion of undeclared or under-declared profits, suggesting the presence of high tax evasion, but also possible deficiencies in tax administration.

On the other hand, in Poland, the tax gap is much smaller, at around 15%. This means that a smaller proportion of taxes owed remain uncollected, indicating a more efficient tax system, with higher tax compliance by companies and more rigorous collection by the authorities.

An important aspect that emerges from the analysis of the data is the close link between the level of digitization of the tax administration and its ability to collect taxes efficiently. Poland appears to be more advanced in this area, benefiting from high-performance computerized systems that allow for more accurate monitoring of revenues and better management of tax data. This facilitates the identification of discrepancies, reduces bureaucracy, and limits the possibilities for evasion.

In addition, differences were observed in the way tax reporting and compliance are handled between the two countries, which are reflected in the differences between effective and statutory tax rates. In Romania, the gap between the effective and statutory rates suggests underreporting of profits or extensive use of deductions, while in Poland these rates are almost equal, indicating stricter compliance.

Also, the structure of tax revenues collected from corporate income tax varies, which may reflect differences in the underground economy, the tax policy applied, or the collection and control capacity of tax administrations. In conclusion, the efficiency of tax collection is influenced both by the technologies used and by the level of voluntary compliance and administrative measures implemented in each country.

The impact of taxation on investment. An analysis of economic indicators reveals a complex relationship between the level of taxation and the volume of foreign direct investment (FDI) in Romania and Poland. Although Romania applies a lower statutory corporate income tax rate (16%) than Poland (19%), this favorable difference has not been reflected in attracting a higher volume of FDI relative to gross domestic product (GDP).

Data from 2023 show that Romania recorded a level of foreign direct investment of only 2.48% of GDP, while Poland reached a significantly higher level of 4.24% of GDP. This indicates that reducing the tax rate alone is not sufficient to significantly stimulate foreign investment.

This observation indicates that fiscal policy is only one of several factors influencing foreign investors' decisions. Firstly, predictability and stability of fiscal rules are crucial—investors favor environments with clear, consistent policies that reduce legislative risk. Secondly, economic and political stability shapes investor confidence, especially for long-term projects. Thirdly, the quality of infrastructure, transport, energy, and communications—is vital for operational efficiency. Lastly, strong integration in global production chains increases a country’s attractiveness by facilitating trade and logistics.

To assess these aspects, the analysis also included international economic attractiveness indicators. These showed that Poland scores better in terms of conditions for international investment, reflecting a business environment that is perceived as safer and more friendly to foreign investors.

In contrast, Romania excels in indicators related to the domestic economy, such as domestic consumption or local market potential, but these do not appear to be attractive enough to offset the factors limiting FDI inflows.

In conclusion, to increase the volume of foreign direct investment, Romania should go beyond simply reducing tax rates and address issues related to legislative predictability, infrastructure, and macroeconomic stability to create a favorable and internationally competitive overall framework.

Evolution of budget revenues from corporate income tax. An analysis of the evolution of revenues collected from corporate income tax between 2020 and 2024 provides an important perspective on the fiscal performance and administrative capacity of Romania and Poland.

In Romania's case, revenues from this tax have grown steadily and significantly over the five years analyzed. Thus, the amount collected increased from €3,299 million in 2020 to €7,218 million in 2024, almost doubling. This increase reflects not only more robust economic activity, but also an improvement in the collection capacity of the tax authorities.

During the same period, Poland recorded a somewhat more volatile evolution of corporate income tax revenues, peaking in 2022, followed by a slight decline, but ending 2024 at a level of €13,239 million, i.e. almost double that of Romania in nominal terms. This fluctuation may reflect external economic factors, adjusted fiscal policies, or the effects of the pandemic and other economic shocks on the business environment.

A key indicator for comparing the two countries is the share of corporate income tax revenue in GDP. Here, Romania has seen a notable upward trend, rising from 1.51% of GDP in 2020 to 2.03% in 2024. This increase has enabled Romania to surpass Poland, which recorded a share of 1.79% in 2024. This result suggests that relative to the size of its economy, Romania has become more efficient in collecting corporate income tax.

This improvement in Romania's fiscal performance can be attributed to several factors, including recent tax reforms aimed at simplifying legislation and reducing tax evasion; improved tax administration through digitization, more effective controls, and increased capacity to monitor taxpayers; economic growth and increased corporate profitability, which have generated a larger tax base. On the other hand, Poland's slightly fluctuating performance indicates that, although nominal revenues are higher in relative terms in the short term, they may be influenced by external factors or fiscal policies adapted to fluctuating economic conditions. In conclusion, the data suggest that Romania has made significant progress in increasing the efficiency of corporate income tax collection, which may contribute to better support for public finances and greater fiscal stability in the medium and long term.

Alignment with European trends. The study included an analysis of how Romania and Poland are adapting to the fiscal changes and requirements imposed at the European Union (EU) level, reflected in major initiatives such as the BEFIT (Business in Europe: Framework for Income Taxation) proposal and the implementation of the OECD's Pillar II on global minimum taxation.

In terms of compliance with the internationally established minimum tax threshold, Romania has already managed to align itself with the requirement for a minimum effective tax rate of 15%. This indicates that Romanian tax legislation and practices are compatible with the new international standards, which is crucial for maintaining competitiveness and avoiding the risks of tax dumping.

Poland, although not yet fully meeting this minimum threshold, is in an advanced process of adaptation and is rapidly approaching compliance. This reveals a growing political will and administrative capacity to respond to the challenges posed by tax harmonization at European and global level.

Beyond meeting the minimum tax threshold, both Romania and Poland must advance in two key areas shaping the future of European taxation. First, sustainable taxation is essential. The EU encourages integrating environmental criteria into tax policy—through incentives for green investments or eco-friendly companies. Aligning with these standards is vital for accessing EU funds and meeting the goals of the European Green Deal. Second, digitalization of tax administration is crucial. This includes deploying advanced IT systems, using AI in audits, and enabling electronic reporting to improve efficiency, reduce evasion, and enhance transparency.

The comparative analysis indicated that Poland is more advanced in terms of institutional readiness and capacity to integrate new European policies. Poland has invested significantly in the digitization of tax administration and the implementation of "green" tax incentives, creating a tax environment more adapted to new European trends.

In contrast, Romania, although making notable progress, needs to intensify its efforts in these areas in order not to fall behind its European partners. This involves both legislative reforms and investments in technology and training for tax personnel.

In conclusion, alignment with European trends is a strategic factor for both countries, being essential for economic competitiveness, attracting investment, and ensuring sustainable public financing in the long term.

5. Conclusions

This paper aims to conduct a comparative analysis between the profit taxation systems in Romania and Poland, with the goal of highlighting the strengths, weaknesses, and fiscal and economic implications of these regimes in the current European context. The research focused on both the legislative and institutional dimensions, as well as the economic impact of fiscal policies on the business environment and foreign direct investment.

Romania – an attractive tax system in theory, but limited in practice. Romania stands out with a relatively low statutory tax rate (16%), below the European Union average, which positions it as a formally competitive tax jurisdiction. In addition, the regime applicable to micro-enterprises (3%) is one of the most favorable in Central and Eastern Europe. These elements should constitute significant advantages for attracting investment and supporting entrepreneurial development.

However, detailed analysis has shown that the efficiency of the Romanian tax system is diminished by several factors: the effective tax rate is below the legal level, tax evasion is high (approximately 25%), and the administrative capacity for collection remains low. In addition, tax incentives for investment and innovation are limited in their applicability, poorly promoted, and often difficult to access due to bureaucracy and legislative uncertainties.

This contrast between formal attractiveness and actual performance highlights a few systemic dysfunctions that affect the functioning of taxation as an instrument of economic development.

Poland – a model of balance between fiscal discipline and innovation stimulation. Poland applies a higher statutory tax rate (19%) but manages to transform it into an effective rate close to 19.3%, which indicates high collection efficiency, better tax compliance, and a strong institutional culture.

The Polish model stands out using modern and coherent instruments to stimulate investment: the application of the Estonian model for profit reinvestment, substantial tax deductions for research and development (up to 100%), and an extensive network of special economic zones (PIZ), integrated into regional development and innovation strategies. These measures are supported by digitized tax administration, legislative stability, and close collaboration between the state and the private sector.

Thus, although taxation is nominally more severe, Poland offers a more predictable environment, geared towards innovation and sustainable growth, which is reflected in its superior performance in attracting foreign direct investment and regional development.

Impact on investment: taxation matters, but it is not enough. One of the most important conclusions of the research is that the level of corporate income tax, although relevant, is not the only determining factor for investment decisions. Poland, despite its higher tax rate, consistently attracted a higher share of FDI in GDP than Romania during the period analyzed (2020–2023). This highlights that investment attractiveness also depends on other factors: the stability of the legislative framework, the quality of infrastructure, the efficiency of tax administration, the predictability of economic policies, and integration into European production and research networks.

Romania, despite a formally attractive tax regime, has failed to capitalize on this advantage in terms of comparable investment performance. This gap suggests the need for structural reforms to transform fiscal potential into concrete economic impact.

Romania – strategic directions for improvement. Based on the Polish model and best practices at the European level, Romania can reform its tax system to make it more efficient and sustainable. Such a transformation would not only improve revenue collection but also stimulate economic growth, innovation, and long-term competitiveness.

One of the key recommendations is the adoption of an optional Estonian tax regime for small and medium-sized enterprises (SMEs). This model allows companies to defer the payment of corporate tax until profits are distributed, encouraging the reinvestment of earnings and the capitalization of businesses during their growth phases. It offers a simple and development-friendly alternative to traditional taxation.

Another important area of reform is the expansion and simplification of fiscal incentives for research and development (R&D). Romania should increase the tax deductions available for eligible R&D expenditures and establish a clear, predictable framework for the validation of such projects. This would provide greater support to innovation-driven companies and encourage private-sector investment in R&D.

A cornerstone of a modern tax system is the full digitization of the tax administration (ANAF). Priority should be given to implementing automatic data reporting, advanced risk analysis, and seamless interoperability between databases. These tools can significantly reduce tax evasion, improve efficiency in tax collection, and allow for more targeted audits and taxpayer services.

Enhancing voluntary tax compliance is also crucial. This can be achieved through better tax education, increased legislative stability, and targeted incentives for compliant taxpayers. Building trust in the tax system and reducing uncertainty will encourage businesses and individuals to fulfill their fiscal obligations more consistently.

Finally, it is essential to align tax incentives with industrial and educational policies. Romania should use its fiscal tools strategically to attract investment in key sectors such as technology, green energy, and digital transformation. This integrated approach can support the development of a knowledge-based, sustainable economy.

Altogether, these measures can help Romania increase budget revenues in a sustainable manner, without raising the overall tax burden. Instead of acting as a constraint, the tax system can become a true engine of development, aligned with the country's broader economic and social goals.

Tax harmonization – an inevitable direction. In the context of European integration and the transition to a sustainable economy, Romania and Poland will have to adapt to new European tax regulations, such as BEFIT, OECD Pillar II, or green taxonomy. Romania is in a relatively favorable position, already having a rate close to the minimum threshold of 15% and being involved in tax digitization projects (e-Invoice, SAF-T). However, the implementation of these reforms will require institutional consolidation, modernization of tax procedures, and constant dialogue with the private sector.

A comparison of the profit taxation systems in Romania and Poland reveals two different models of tax administration: Romania, with an approach geared towards low rates and specific incentives, but with limited efficiency, and Poland, with a more rigorous system, but well integrated and effective in attracting investment and supporting innovation.

For Romania, transforming the tax system into a strategic development tool does not necessarily mean increasing the tax burden, but rather increasing the efficiency of collection, simplifying regulations, digitizing administration, and better integrating taxation with national and European economic objectives.

6. References

- Auerbach, A.J., & Poterba, J.M., 1987. *Tax Loss Carryforwards and Corporate Tax Incentives*. In Feldstein, M. (Ed.), The Effects of Taxation on Capital Accumulation. University of Chicago Press, https://doi.org/10.3386/w1863
- Gravelle, J.G., 2014. *Corporate Tax Incidence: Review of General Equilibrium Estimates and Analysis*. Congressional Research Service. [online] Available at: https://sgp.fas.org/crs/misc/RL34229.pdf;
- Tanzi, V., & Zee, H.H., 2000. *Tax Policy for Emerging Markets: Developing Countries*. IMF Working Paper WP/00/35. https://doi.org/10.5089/9781451845341.001;
- OECD, 2023. *Corporate Tax Statistics: Fourth Edition*. Paris: OECD Publishing. [online] Available at: https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-database.htm
- Devereux, M.P., & Griffith, R., 2003. *Evaluating Tax Policy for Location Decisions*. International Tax and Public Finance, 10(2), 107–126, https://doi.org/10.1023/A:1023364421914;
- Alm, J., Kirchler, E., & Muehlbacher, S., 2012. *Combining Psychology and Economics in the Analysis of Compliance: From Enforcement to Cooperation*. Economic Analysis and Policy, 42(2), 133–151, https://doi.org/10.1016/S0313-5926(12)50016-0;
- PwC, 2023. *Worldwide Tax Summaries – Corporate Taxes 2023/2024*, https://taxsummaries.pwc.com/
- Spengel, C., Endres, D., Finke, K., et al., 2020. *Effective Tax Levels Using the Devereux/Griffith Methodology*. ZEW – Leibniz Centre for European Economic Research. [online] Available at: https://ftp.zew.de/pub/zew-docs/div/ICTM2020_Final_Report.pdf;
- European Commission, 2024. *European Semester Country Reports: Romania and Poland*,. [online] Available at: https://economy-finance.ec.europa.eu/publications/2024-european-semester-country-reports_en;
- UNCTAD, 2022. *World Investment Report: International Tax Reforms and Sustainable Investment*,. [online] Available at: https://unctad.org/publication/world-investment-report-2022