Recent Developments in Corporate Taxation in the V4 Countries

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Abstract: The paper examines the development of corporate taxation in the Visegrad Group (V4) countries—Slovakia, the Czech Republic, Poland, and Hungary. The main objective is to analyse how the tax policies of these countries have evolved over time, to identify the key drivers behind these changes, and to assess their impact on businesses and the broader economy. The study also compares the corporate tax systems of the V4 countries with those of other EU member states and explores how global trends, such as tax harmonization and the digitalization of taxation, have influenced their fiscal frameworks. The study offers a comprehensive examination of the evolution of corporate taxation within the Visegrad Group (V4) countries—Slovakia, the Czech Republic, Poland, and Hungary—by combining both theoretical and analytical approaches. It explores fundamental concepts of corporate taxation and outlines the policy frameworks that have shaped tax systems in these economies. Furthermore, the analysis focuses on the broader economic and fiscal environment of the region, identifying the main factors that have influenced tax reforms, and the differing approaches each country has adopted in response to domestic and international challenges. The paper evaluates how changes in corporate tax structures and rates have affected business activity, investment levels, and overall economic performance. Building on the empirical findings, the study formulates policy recommendations aimed at improving the efficiency and fairness of corporate taxation. It emphasizes the need for balanced tax policies that stimulate entrepreneurship, attract foreign investment, and support sustainable economic growth while maintaining fiscal stability. Overall, the paper provides a valuable overview of corporate tax developments in the V4 countries and contributes to the broader discussion on tax competitiveness and harmonization within the European Union. Its conclusions and recommendations may serve as a useful resource for policymakers, economists, and legislators engaged in shaping future fiscal strategies.

Keywords: tax policy, corporate tax, Visegrad Group, development, competitiveness, FDI
JEL Classification: H25, H26, H32

1 Introduction

In today's globalized economy, businesses increasingly operate across borders, shaping the economic performance of individual countries. Corporate tax is a key policy tool that governments use both to regulate the business environment and to generate public revenue. Imposed on the income of legal entities, its rate and structure vary according to each country's economic strategy. Corporate taxation influences not only fiscal stability but also the attractiveness of a country for domestic and foreign investors. While some governments lower corporate taxes to stimulate investment and entrepreneurship, others maintain higher rates to strengthen public finances. Within the European Union, debates on tax harmonization aim to limit harmful tax competition and ensure fair market conditions.

The Visegrad Group countries share historical and economic ties, yet their approaches to corporate taxation differ considerably. Comparing these systems can reveal which policies are most effective in promoting growth, investment, and fiscal sustainability. This study examines how corporate tax regimes in the V4 countries have evolved in recent years, the factors that have shaped these changes, and their impact on the business environment. The analysis focuses on the relationship between tax rates, foreign direct investment and the sustainability of public finances. The findings may provide insights for developing more efficient tax policies in the future.

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2 Methods

The paper examines the historical development of corporate taxation in the Visegrad Group (V4) countries and identifies the main factors that have shaped changes in their tax policies. It also evaluates the economic effects of these changes—particularly on growth, employment, and foreign direct investment. The analysis focuses on differences in tax rates, incentives, and structures, while paying special attention to digitalization and international trends that may influence future tax systems in the region.

In the V4 countries, reducing the tax burden is often associated with an expansionary economic policy. This strategy aims to attract investment and stimulate innovation, which can have a positive impact on GDP growth. Conversely, a restrictive tax policy that increases the tax burden may slow down economic activity, raise unemployment, and disrupt market stability (Červená & Cakoci, 2019).

Tax competition among countries, particularly within the European Union, creates pressure to lower corporate tax rates. The main objective is to attract foreign capital and strengthen the business environment. Lower corporate tax rates in EU member states, especially in emerging economies such as those of the V4, contribute to increased foreign investment. Tax competition thus plays a significant role, as countries with lower rates tend to attract more foreign capital, thereby stimulating economic activity (Beljić, Glavaški, & Pejčić, 2023).

Tax evasion and the exploitation of differences between national tax systems represent a global challenge that also affects the V4 countries. The OECD and the EU are therefore working to implement measures aimed at increasing transparency and limiting so-called aggressive tax planning, which allows multinational corporations to shift profits to countries with lower tax burdens (Červená & Cakoci, 2019).

A comparison of corporate taxation between the V4 countries and the European Union reveals significant differences in both rates and structures. While the V4 countries—particularly Hungary, with the lowest rate of 9%—offer favourable conditions for investment, Western European countries such as France and Germany have rates exceeding 25%, which may discourage business activity. The average corporate tax rate in the EU stands at 21.6%, with some countries like Ireland (12.5%) remaining particularly attractive to international enterprises. Tax competition within the V4 has led to lower rates that have supported economic performance; however, this also poses a risk of eroding the tax base. Efforts to harmonize corporate tax bases within the EU could enhance transparency and fairness but may at the same time undermine fiscal stability in countries with low tax rates (Mamajek & Małecka-Ziembińska, 2021).

EU directives such as ATAD I and ATAD II emphasize increasing transparency and reducing tax avoidance. The V4 countries have implemented these policies as part of their efforts to combat tax base erosion; however, for businesses operating in these markets, they also introduce additional administrative costs and obligations (Birskyte & Giriuniene, 2018).

Digitalization is reshaping corporate taxation, and the V4 countries must adapt to the challenges of the digital economy. These include addressing profit shifting, improving VAT collection in cross-border trade, and ensuring fair taxation of digital platforms that generate profits without physical presence. Future reforms should modernize tax systems to reflect economic activity rather than physical location, introduce fair digital services taxation, and use technologies such as blockchain to enhance transparency and efficiency. Stronger coordination within the EU and globally will be essential to protect tax bases and prevent profit shifting. Overall, digital tax reform offers an opportunity to stabilize public finances, but it will require innovation, investment, and international cooperation to ensure a fair and sustainable framework (OECD Digital Economy Outlook, 2024).

The study applies both qualitative and quantitative research methods. It draws on academic literature, legislation, statistical data, and reports from institutions such as the OECD and Eurostat. The methodology combines literature and legal analysis with comparative and statistical approaches to assess tax systems, identify similarities and differences among V4 countries, and evaluate tax collection efficiency and the effects of legislative reforms.

Data were collected from Eurostat, OECD, and national statistical offices, as well as from legislative documents and expert studies on tax policy and economic performance. In this study, the primary period of analysis spans the years 2015 to 2023. An exception is made for the summary of tax rates, for which the dataset has been extended to include observations from 2010 as well as the most recent figures available for 2024. The results help identify key trends in corporate taxation and assess the effectiveness of tax policies in each country. Based on these findings, the paper formulates recommendations for optimizing corporate tax policy in the V4 region, considering global economic and technological developments.

3 Research results

The analysis of corporate tax rates has revealed several important findings regarding their impact on the business environment, economic growth, and foreign investment. Based on the data and statistics collected, we can identify distinct trends and evaluate their broader economic implications. The results suggest that differences in tax rates across countries play a significant role in shaping the competitiveness of national economies and the attractiveness of individual markets for investors. Moreover, the analysis highlights how adjustments in corporate taxation—whether through rate reductions, targeted incentives, or structural reforms—can influence business activity, stimulate investment, and ultimately affect overall economic performance.

3.1 Comparison of Tax Rates in the V4 Countries

The comparison of corporate tax rates in the Visegrad Group reveals distinct policy approaches and their economic outcomes. Hungary stands out with the lowest rate among OECD countries—9% since 2017—introduced to attract foreign investors and enhance competitiveness. This policy contributed to an estimated 18% rise in foreign direct investment over the next two years, particularly in the automotive and technology sectors (Forvis Mazars, 2024).

Slovakia, on the other hand, experienced a period of tax rate fluctuations. In 2013, the rate increased from 19% to 23% to boost public revenues but was later reduced to 21% in 2017 after negative feedback from the business community. Despite the adjustment, Slovakia still has the second-highest rate in the V4, which may slightly reduce its investment appeal.

The Czech Republic has maintained a consistent 19% rate for many years, creating a predictable and stable tax environment that supports long-term investment planning and steady economic growth.

Poland also applies a 19% standard rate but introduced a reduced 9% rate in 2019 for small and medium-sized enterprises (SMEs) with annual revenues up to EUR 2 million. This reform aimed to boost SME development and competitiveness, leading to a 12% increase in new business registrations the following year.

Overall, the V4 countries demonstrate varied strategies toward corporate taxation—Hungary prioritizes low rates to attract investment, Slovakia adjusts rates in response to fiscal pressures, the Czech Republic values stability, and Poland supports SMEs through targeted incentives. These differences influence each country's business climate and long-term economic performance.

Table 1 Development of Corporate Taxation in the V4 Countries

Corporate Taxation				
Country	**Y2010**	**Y2015**	**Y2020**	**Y2024**
Slovakia	19%	22%	21%	21%
Czech Republic	19%	19%	19%	19%
Hungary	19%	10%	9%	9%
Poland	19%	19%	19%	19% (9% for SME)

Source: Own processing (Eurostat, 2024)

3.2 Impact on Foreign Direct Investment (FDI)

Lower corporate tax rates tend to enhance a country's attractiveness to foreign investors. Hungary, which reduced its corporate tax rate to 9%, experienced a significant rise in foreign direct investment (FDI)—about 18% in the first two years—mainly in manufacturing sectors such as the automotive industry, with major inflows from companies like Audi and Mercedes-Benz.

Slovakia, on the other hand, recorded a slight decline in FDI between 2013 and 2017 following its tax increase to 23%, but later achieved a strong recovery between 2019 and 2021, when investments grew by approximately 16% due to more favourable investment policies.

The Czech Republic maintained a stable 19% rate (OECD, 2023), which contributed to a consistent inflow of capital, though growth has recently slowed to around 6%.

Hungary saw the most substantial increase overall, with total FDI rising by nearly 65% from 2015 to 2021, driven largely by investor-friendly tax conditions.

Poland also recorded steady growth in foreign investment, though at a slower pace in recent years—around 3%—possibly reflecting market saturation or changes in the investment environment.

Table 2 Foreign Direct Investment (FDI) in V4 Countries (2015–2023, in billion EUR)

Year	Slovakia	Czech Republic	Hungary	Poland
2015	2,5	7,2	4,3	11,5
2017	2,8 (+12%)	7,8 (+8%)	5,1 (+19%)	12,2 (+6%)
2019	3,1 (+11%)	8,3 (+6%)	5,7 (+12%)	13,0 (+7%)
2021	3,6 (+16%)	9,0 (+8%)	6,5 (+14%)	13,8 (+6%)
2023	3,9 (+8%)	9,5 (+6%)	7,1 (+9%)	14,2 (+3%)

Source: Own processing (OECD, 2024)

3.3 The Relationship Between Tax Policy and GDP Growth

Economic growth is a multifaceted process influenced by a range of factors, among which tax policy plays an important role. Corporate taxation directly shapes business decisions related to investment, hiring, and expansion. Lower tax rates can increase firms' disposable income, stimulate entrepreneurial activity, enhance competitiveness, and ultimately strengthen overall economic performance.

Following Hungary's reduction of the corporate tax rate to 9% in 2017, the country experienced moderate GDP growth and an increase in investments, particularly in the automotive and manufacturing sectors (OECD, 2023). However, this effect was not immediate, as a country's attractiveness to investors also depends on factors such as regulatory stability, infrastructure quality, and the availability of skilled labour.

Conversely, Slovakia's tax rate increase to 23% in 2013 was followed by a slight decline in GDP and stagnating foreign investment, highlighting how tax policy can influence economic dynamics.

In the Czech Republic and Poland, where the corporate tax rate has remained stable at 19%, economic growth has been driven primarily by export performance and domestic market expansion. The consistency of their tax systems has created a predictable and reliable business environment, which may, in many cases, be more valuable to investors than low tax rates alone.

Table 3 GDP Growth in V4 Countries (2015–2023, in %)

Year	Slovakia	Czech Republic	Hungary	Poland
2015	3,80%	4,20%	3,10%	4,50%
2017	3,90%	4,40%	3,60%	4,70%
2019	2, 8%	3,00%	4,10%	4,10%
2021	3,10%	3,50%	5,20%	5,00%
2023	1,90%	2,20%	3,50%	3,80%

Source: Own processing (Eurostat, 2024)

In Slovakia, GDP growth reached 3.8% in 2015 but slowed to 1.9% in 2023, suggesting a moderate decline in the pace of economic expansion. The Czech Republic experienced a similar trend, with growth of 4.2% in 2015 falling to 2.2% in 2023, reflecting a noticeable slowdown in economic activity. In Hungary, GDP growth showed an overall positive yet fluctuating trend, increasing by about 0.4 percentage points between 2015 and 2023, with a peak of 5.2% in 2021. Poland maintained relatively steady growth over the same period, recording 4.5% in 2015 and 3.8% in 2023, indicating a slight slowdown but continued economic resilience.

3.4 Anticipated Trends and Recommendations for Fiscal Policy

In the coming years, the Visegrad Group countries are expected to focus on optimizing their tax systems to ensure both economic competitiveness and fiscal stability. The increasing pressure from the European Union to harmonize tax policies, prevent harmful tax competition, and intensify the fight against tax evasion will likely drive further reforms in the region.

These changes will need to balance national economic priorities with international commitments, particularly regarding fair taxation and sustainable public finances.

Poland is expected to continue supporting its domestic business sector by expanding the benefits of the reduced corporate tax rate for small and medium-sized enterprises (SMEs) to a broader range of companies. Slovakia and the Czech Republic are likely to pursue measures aimed at reducing the administrative burden on businesses, simplifying tax procedures, and improving the efficiency of tax collection without necessarily lowering tax rates. Hungary will probably maintain its current low corporate tax rate, which has proven effective in attracting foreign investment, while introducing or expanding sector-specific taxes to offset potential losses in public revenue.

The analysis suggests several policy directions that could strengthen the fiscal and economic resilience of the V4 countries. One key recommendation is the modernization of tax administration through digitalization. The implementation of advanced data tools and automated systems for detecting tax evasion could improve transparency, enhance compliance, and increase revenue efficiency. Another important aspect is maintaining the stability and predictability of tax rates, as investors generally value a consistent tax environment more than frequent legislative changes. Furthermore, introducing targeted incentives for SMEs—such as tax relief for investments in innovation, technology, and digital transformation—could foster productivity, improve competitiveness, and support long-term economic growth across the region.

Overall, the future of fiscal policy in the V4 countries will depend on their ability to adapt to new economic challenges and global tax trends while maintaining a fair and growth-oriented approach to corporate taxation.

4 Conclusions

This paper examined the development and role of corporate taxation in the Visegrad Group (V4) countries—Slovakia, the Czech Republic, Poland, and Hungary. Its purpose was to analyse how tax policies have evolved in these economies, identify the factors that have shaped them, and assess their broader impact on the business environment and economic performance. The paper also compared the V4 countries' approaches to corporate taxation within the context of the European Union and global economic trends.

The analysis shows that corporate tax systems across the V4 region have undergone significant transformations over the past decades. Economic reforms, efforts to attract foreign investment, and the need to align with EU regulations have been among the key drivers of change. Despite their shared history and geographic proximity, the V4 countries have taken different strategic paths—some emphasizing low tax rates to attract investment, others focusing on expanding the tax base or offering targeted incentives to stimulate business activity.

A key finding of the study is that there is no single formula for an effective tax policy. Each national system has distinct advantages and limitations, and its success depends on the overall economic context and institutional framework. While low corporate tax rates can make a country more attractive to investors, their long-term effectiveness depends on other conditions, such as regulatory stability, infrastructure quality, and efficient governance.

The paper also highlights that international developments—such as tax harmonization efforts, the global fight against tax evasion, and the digitalization of tax systems—are increasingly influencing national tax policies. The V4 countries face the challenge of balancing tax competitiveness with fiscal sustainability and fairness, ensuring that their systems remain attractive while generating adequate public revenues.

Corporate income tax systems in V4 countries reflect a balance between national competitiveness, fiscal consolidation, and increasing alignment with international standards such as the OECD/G20. Despite differing statutory rates, the effective tax environment across the Czech Republic, Slovakia, Hungary, and Poland is becoming more uniform due to emerging minimum tax mechanisms.

The Czech Republic applies a 21% corporate income tax rate (increased from 19% in 2024), placing it near the EU average. The system maintains traditional features such as participation exemptions, while the adoption of the global minimum tax will primarily affect large multinational enterprises.

Slovakia introduced a tiered CIT structure in 2025—10%, 21%, and 24%—combined with a mandatory minimum corporate tax. This progressive model aims to support small firms and broaden the revenue base, though it may create incentives for firms to manage turnover strategically.

Hungary continues to offer the EU's lowest statutory CIT rate at 9%, reinforcing its position as a competitive investment location. However, Pillar Two implementation means large multinational groups will face an effective rate closer to 15%, reducing the statutory-rate advantage at the upper end of the market.

Poland retains a 19% standard rate with a 9% preferential rate for qualifying small taxpayers, alongside a newly implemented 10% minimum income tax. Poland has also adopted the global minimum tax and is pursuing sector-specific reforms such as higher CIT rates for banks, signalling a fiscal policy shift toward targeted revenue generation.

Taken together, while statutory CIT rates differ—ranging from Hungary's 9% to Slovakia's 24% upper tier—the regional trend points toward convergence in effective tax burdens. Minimum taxes expanded reporting obligations, and sector-specific levies increasingly shape the corporate tax landscape. As a result, investment decisions are influenced less by headline rates alone and more by broader considerations of compliance costs, tax certainty, and the interaction of domestic regimes with international minimum tax rules.

Overall, the findings suggest that the future of corporate taxation in the V4 region will depend on a combination of domestic policy decisions and global economic and regulatory developments. With ongoing debates about international tax reform and growing calls for fairer taxation of multinational corporations, further legislative adjustments are likely. To remain competitive and resilient, the V4 countries will need to maintain flexibility and adapt their tax systems in ways that support sustainable economic growth and long-term stability.

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