NEXUS BETWEEN TAX EFFECTIVENESS, TAXATION POLICY, AND DOUBLE TAXATION CONVENTIONS. A PANEL DATA MODEL APPROACH

Florin Cornel Dumiter[1] ORCID ID: 0000-0002-1043-238X
"Vasile Goldiș" Western University of Arad, Romania, Faculty of Economics, IT and Engineering; E-mail: fdumiter@yahoo.com; dumiter.florin@uvvg.ro

Klaus Bruno Schebesch
"Vasile Goldiș" Western University of Arad, Romania, Faculty of Economics, IT and Engineering; e-mail: kbsbase5x@gmail.com; schebesch.klaus@uvvg.ro

Ștefania Amalia Nicoară ORCID ID: 0000-0002-2182-6800
"Vasile Goldiș" Western University of Arad, Romania, Faculty of Economics, IT and Engineering; E-mail: jimonstefania@yahoo.com

Horațiu Florin Șoim
"Vasile Goldiș" Western University of Arad, Romania, Faculty of Economics, IT and Engineering; e-mail: horatiu_soim@yahoo.com

Cristian Bențe
"Vasile Goldiș" Western University of Arad, Romania, Faculty of Social Sciences, Humanities and Physical Education and Sport; e-mail: cbente13@yahoo.com

Extended abstract:

The economic interpretation, in view of the results generated by the linear model through the regression equations presented above, underlines the fact that an efficient and effective structure of the double taxation convention network can be achieved through the following factors: compliance and tax culture as much as possible from taxpayers in fulfilling their tax obligations; reducing the scale and scope of tax fraud and tax evasion, both nationally and internationally; a stable and efficient fiscal system built in the long term and predictably, with no unexpected "surprises" that disrupt the business environment.

The legal interpretation of the relationship between double taxation conventions and direct taxation wishes to highlight that the degree of development of the legal system of a country, in conjunction with the level of development of the tax system, is a factor that leads to the establishment of a friendly framework for taxpayers, both at the level of one state and at the international level, by strengthening international and European fiscal space.

Considering the construction of the aggregate index and its quantification in the most representative OECD member states, as well as the testing of its relationship with the new double taxation conventions variable and its impact on direct taxation, it is considered that the proposed article adds value due to highlighting, *mutadis mutandis*, the legal and economic connections

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[*] Corresponding author.

which are manifested in theory and practice between the legal system and the tax system in general, on the one hand, and the direct taxation indicators on the other hand, which are particularly important in the good course of the economy and the rule of law.

The results reflect the existence of the relationship between international double taxation conventions and direct taxation through economic growth, FDI, corporate tax revenue, and cross-border trade in the 38 OECD member states included in this study. However, the relationship of determination between predictors and the dependent variable is different, in accordance with the econometric methods used in analyses. But it can be seen both positive and negative relationships between FDI and international double taxation conventions in the models, sustaining that double taxation avoidance conventions are not the main influence factor in cross-border investments.

In the models presented, there is also a positive relationship between international double taxation conventions and corporate tax revenue. Thus, suggesting that double taxation conventions improve the revenues of the state budget by clearly establishing the rights of non-resident and foreign companies.

As regards cross-border trade, the plm fixed effects and random effects show a both positive and negative relationship between double taxation conventions, exports, and imports, meanwhile, the quantile regression technique highlights complex scenarios with imports and exports, suggesting that the double taxation conventions concluded by the 38 OECD countries favor the export of goods and services. On the contrary, regarding the connection of double taxation conventions with the trade balance, the first two models highlight a significant negative relationship. Whilst, the quantile regression model reflects the exact opposite situation, where the double taxation conventions are both negatively and positively related to the balance of trade. Therefore, it can be said that concluding double taxation conventions is needed to strengthen the trade relationships between both exporting and importing countries.

Therefore, empirical results of the relationship between double tax avoidance conventions and direct taxation in the proposed OECD sample show the following: (i) significant statistical relationship between direct taxes and the temporal aspects of the conclusion of double taxation conventions, which means that an adequate fiscal framework at the level of double taxation conventions generates beneficial effects on direct taxes; (ii) the change in the legislation established by double taxation conventions depends on the amount of direct taxes; (iii) there is a significant connection between double taxation conventions, through their structure and construction, and the level of direct taxation.