

THE MULTIFACED IMPACT OF TAXATION ON ECONOMIC GROWTH: EVIDENCE FROM EUROPEAN UNION COUNTRIES

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Abstract: Tax revenues are the main resource in the state budget and support public spending that is indispensable to society, such as education, health, and defence. However, there is an imbalance between the wishes of citizens and those of policymakers: citizens want lower taxes, while the state wants to apply higher taxes to attract more resources. This paper aims to analyse the impact of tax revenues on economic growth, comparatively analysing the impact of direct and indirect taxes and social contributions. Using panel data for European countries over the period 2002-2023, the study identifies the necessary tax structure to enhance economic development. The paper presents patterns of fiscal policy at the level of welfare state models and highlights the need to apply harmonized fiscal policies at the welfare state levels of the European Union.

Key words: fiscal policy; tax revenues, economic growth, dynamic threshold panel model

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