THE IMPACT OF TAX EVASION ON INTERNATIONAL TRADE IN THE EU: FACTORS AND CONSEQUENCES

Rytis ANDRIUKAITIS, Vytautas Magnus University, Agriculture Academy, Faculty of Bioeconomy Development, e-mail: rytis.andriukaitis@vdu.lt
Benas BERESNEVIČIUS, Vytautas Magnus University, Agriculture Academy, Faculty of Bioeconomy Development, e-mail: benas.beresnevicius@vdu.lt

Abstract

In the context of globalisation, new opportunities for tax avoidance emerge, and the prevalence of this phenomenon leads to negative consequences for the EU's international trade. The article analyses the situation of tax evasion in the international trade of the EU, to analyse the concept of tax evasion, identify the factors and consequences of tax evasion in international trade from a theoretical perspective and make proposals to reduce tax evasion on international trade of EU. The research aim is to evaluate the impact of tax evasion on international trade and its economic implications. The methods used to conduct the study are analysis of scientific literature, synthesis, comparison of information, and graphical visualisation. Tax evasion problems involve hiding income or providing incomplete information, the tax base is reduced, hidden money transactions are reduced, or money is hidden, or money is hidden in offshore accounts. The scale of the problem is large globally in those EU countries, the prevention of tax evasion therefore remains relevant. The consequences of tax evasion are seen as factors contributing to a slowdown in the socio-economic development of each country, therefore, in the modern stage, preventive solutions are necessary to reduce the concealment of tax.

***Keywords*:** tax evasion, tax compliance, tax collection, international trade, corruption

Introduction

The spread of the phenomenon of tax evasion creates a negative impact on the European economy (Guias & Haineala, 2021). There were concerns at the EU level about the creation of a legislative framework to mitigate this phenomenon. Over the past decades, globalisation has opened up new opportunities for tax avoidance that have been exploited by multinationals and wealthy individuals around the world, and it has been widely accepted as a natural and unavoidable element of human nature, an inevitable by-product of globalization. The concealment of payments was effected by free movements between countries, including persons, goods and capital movements, that led to the complexity of trade in the context of imperfect legislation, socio-economic factors that formed economic crisis, as well as tax evasion majority-related to value added tax (VAT). The complete elimination of tax evasion is an unfeasible objective, it is therefore essential to determine the most effective methods of combating this issue. Legislators can influence the evasion of decisions that define the boundary between legality and illegality. The identification of the negative consequences of tax avoidance encourages the adoption of new solutions for the implementation of preventive activities.

Research aim is evaluating the impact of tax evasion on international trade and its economic implications.

The following **objectives** have been set to achieve the aim:

1. To analyse the situation of tax evasion in the international trade of the EU.
2. To analyse the concept of tax evasion and to identify the factors and consequences of tax evasion in international trade from a theoretical perspective.
3. To make proposals to reduce tax evasion in international trade of the EU.

Research object and methods

Research object – the impact of tax evasion on international trade and its economic consequences.

The following methods were used to achieve the objective of the research: analysis of scientific literature; analysis of statistical data on international trade (trade volumes, export and import flows, tax avoidance statistics), synthesis of information; graphical visualisation. Analysis of scientific literature provides a solid foundation and understanding of what is already known on the topic, summarizing the latest and important research in the field (Leavy, 2020). Graphical visualization allows for clearer communication of information (Shen ir kt., 2019). Statistical analysis is applied to the collection of large amounts of statistics, is used to identify trends and insights (Gudivada, 2025). The first and second objectives are achieved by applying the analysis of scientific literature, analysis and synthesis of statistical data. Graphical visualization and synthesis of information are used to achieve the third objective.

Research results and discussion

Tax evasion in the international trade of the EU

In recent times, globalisation has been accompanied by a boom in multinationals and related international business and the expansion of international markets. Lukáč & Simonidesová (2020) noted, that the increase in tax evasion was driven by the influence of international “cross-border trade between countries”, with the majority of cases involving the misconduct of large corporations and individuals with significant political and business influence. In the case of the EU, international tax evasion was changing the EU single market and disrupting trade relations between the EU and non-EU countries (Babčák et al. 2018, cited Lukáč & Simonidesová, 2020). The leadership role of the EU in spearheading global regulatory change in tax matters is substantial. Most of the regulatory norms that the EU is promoting are not EU norms per se but rather derivative norms of multilateral platforms such as the FATF, the OECD and the G20, in which EU member states play a central role. The EU, including the EU Commission and EU countries, is a powerful actor not only because it pushes for the implementation of stricter regulations in various multilateral forums, but also because it has significantly more economic leverage than other organisations when it comes to implementing these new standards (Vogt, 2019). According Lukáč, & Simonidesová (2020), tax evasion at the international level began to increase between the two world wars, taking into account the development of international tax relations and new bilateral tax treaties. Since then, countries have been advised to tax income on the basis of the tax purposes and principles of the country and place of residence.

The topic of tax evasion is analysed in various scientific literature, with the majority of research made in the field of tax policy. After analysis of the scientific literature, the main definitions of tax evasion are presented in Table 1.

Table 1. The concept of tax evasion
***1 lentelė**. Mokesčių vengimo sąvoka*

Author	Definition
Guias & Haineala (2021)	Tax evasion, uses illegal means to avoid paying taxes. Usually, tax evasion involves hiding or distorting income. Tax evasion is part of a general definition of tax fraud, which is the intentional unlawful non-payment of taxes.
Vellutini et al. (2019)	Tax evasion refers to illegal actions by households or firms to reduce tax liability
Lukáč & Simonidesová (2020)	Tax evasion is the failure to comply with tax legislation, and there are two types of illegal tax evasion: (1) based on the total evasion of taxes (tax fraud) or (2) based on the non-declaration of part of the income for taxation (unfair tax payment).
Haumann and Ermasova (2022)	Tax evasion- these are unlawful and intentional acts taken by persons intentionally unlawful conduct that leads to a direct violation of tax laws in order to evade or reduce their legally binding tax obligations and to hide the true value of the transaction of a legitimate contractor in order to avoid or reduce tax obligations
Hossain et al (2024)	Tax avoidance is defined as the legal utilisation of the tax regime to reduce one’s tax payable, by means that are within the law or at least within the letter of the law

Source: compiled by authors
Šaltinis: sudaryta autorių

Businesses are trying to reduce the tax burden. Assuming that the amount of tax can be expressed by the entities themselves in accordance with the conditions established by the tax law, it is also possible to monitor the different reactions of tax entities to their tax obligations. The entity tries to avoid paying the tax by reducing the activities subject to the tax, which reduces the tax burden, but also reduces its own available resources (Lukáč, & Simonidesová, 2020):

- by changing the conditions of the taxable business activity (tax impact - incidence);
- change of registered office and the place of business (tax domicile);
- using legal or illegal means (tax evasion).

As a rule, tax avoidance involves hiding or distorting income. This may be a concealment of income, which means that all income is not recorded in the accounting documents or not by declaring it to the tax authorities. Another way is to reduce the tax base or hide/undeclare cash transactions or hidden money in offshore accounts. (Guias & Haineala, 2021). Tax evasion is harmful in several ways– it deprives society of the resources necessary to finance collective goods and welfare programs, it generates efficiency costs. Thirdly and lastly, it contributes to the unpopularity of the tax system, as those who do not evade taxation may develop the perception that “only the little people pay taxes” (Vellutini et al., 2019). The scale of the problem is considerable. Most trusted estimates value assets held offshore at approximately 8% of global financial wealth, or 10% of the world’s annual GDP (Vellutini et al, 2019). The topic of tax evasion is analysed in various scientific literature, with the majority of research made in the area of taxation. Table 2 shows data on tax evasion for the period 2017-2019 in each EU member state. In the case of Lithuania, tax evasion increased from 37 to 42 per cent in 2017-2019, respectively.

Lithuania's Economic Review (2021) states that the low ratio of tax revenues to GDP is primarily due to the large tax gaps resulting from the large shadow economy, tax evasion and various exceptions and benefits.

The failure to collect VAT is particularly linked to the large black economy. In 2018 the VAT gap in Lithuania was one of the highest in the entire European Union and accounted for about 30% of the total VAT revenue expected to be generated. The total amount of potential additional VAT revenue is approximately EUR 2.1 billion (4.6% of GDP). According to the EC's calculations, the largest part of the VAT gap in Lithuania is the compliance gap (2.7% of GDP, or more than EUR 1.2 billion). Most of the underpayments are due to the large shadow economy, VAT evasion, avoidance of fraud, etc.

Table 2. Tax evasion in EU Member States expressed as a share of total tax liability in %, tax evasion in euros

***2 lentelė**. Mokesčių slėpimas ES valstybėse narėse, išreikštas visų mokestinių įsipareigojimų % dalimi, mokesčių slėpimas, Eur*

Year	2017		2018		2019	
EU States	%	Sum	%	Sum	%	Sum
Austria	10	2 776	13	3 868	9	2 452
Belgium	15	4 476	16	5 370	16	4 691
Bulgaria	10	483	25	704	15	754
Cyprus	7	316	6	267	8	346
Czech Republic	29	4 617	28	4 446	25	3 831
Croatia	29	2 220	27	1 985	31	2 509
Denmark	9	2 582	10	2 886	9	2 464
Estonia	15	321	18	361	13	282
Finland	15	3 3362	14	2 937	10	1 926
France	19	32 348	19	32 633	20	33 468
Germany	13	26 144	12	26 909	10	19 587
Greece	31	7 531	39	9 962	35	8 569
Hungary	28	3 654	30	3 796	26	2 976
Ireland	11	1 396	10	1 198	15	1 913
Italy	25	31 887	27	36 634	31	39 983
Lithuania	37	798	41	996	42	864
Latvia	36	1 363	36	1 462	40	1 497
Luxemburg	17	704	17	691	8	324
Malta	9	65	4	31	10	73
Netherlands	3	1 755	9	4 102	9	3 958
Poland	12	3 852	15	5610	15	3 995
Portugal	16	2 765	16	2 964	20	3 411
Romania	48	8 987	48	10 648	49	7 830
Slovakia	38	2 624	37	2 774	36	2 695
Slovenia	10	386	10	345	11	392
Spain	16	12 783	21	16 596	34	23 484
Sweden	1	345	2	986	2	588
UK	13	17 337	13	19 986	13	14 655
EU average	18.6	6353	20.1	7184	20.1	6768

Source: according to Dobrovič et al (2021)

Šaltinis: sudaryta pagal Dobrovič et al (2021)

Literature review on tax evasion in the international trade: the factors and consequences

The problem of the loss of income through international trade is one of the main problems of this century, partly due to the increasing globalization. This has increased the free and simple movement of goods and services from one country to another more intensively than ever before. Nevertheless, accountants, economists, politicians and other major stakeholders are worried about an increase in the loss of income. These losses are partly due to tax evasion, as trade rates are being avoided around the world, shifting profits to a lower tax jurisdiction and an increase in bribery cases (Kurauone et al., 2021). Many studies have focused on corruption at the corporate level, but such studies are not abundant due to restrictions on data retrieval. Studies and specialised reports analyse how jurisdictional authorities can control corruption, reducing the use of both import and export taxes, and investigating cases of tariff avoidance. It also analyses the application of accounting and auditing standards to protect the tax base and explores the moderating role in the application of International Financial Reporting Standards (IFRS) on legal tax enforcement and/or tax avoidance. The investigations address little evidence of control over cases of public and political corruption. Tax avoidance and corruption often exist side by side and possibly interact in many cases, in view of the interrelationship, corruption can be a source of distortion in the results of tax consolidation and create obstacles to the collection of state revenues (Lamaj, 2023). Simser (2008) argues, that structuring transactions to avoid or reduce taxes is very complex and full of risky challenges - there is a huge potential for reputational risk. According to Lamaj (2023), the sensitive nature of tax compliance makes empirical research difficult, and there is a lack of trusted data on tax evasion in many countries, including those with sophisticated tax systems, and those that are still in the initial stages of economic growth, have a culture of "government cheating."

When analysing the significance of tax evasion and the factors and consequences of tax evasion in international trade, the theoretical analysis of the broad work of researchers in linking tax avoidance to various factors is noted. Table 3 presents the factors contributing to tax evasion.

As can be seen from Table 3, Dobrovic et al. (2018) singled out the factors determining the emergence and extent of tax evasion First of all, the political aspect is singled out as an expression of disapproval of politicians and government tax policy (Stieranka et al., 2016). Important are economic factors when tax evasion is influenced by the level of economic development of the state (Andrejovská et al., 2020; Dobrovič et al., 2018). High-quality and stable legislation is essential to eradcate and prevent tax evasion (Durán-Cabré et al., 2018; Bucci, 2020).

The amount of tax burden and fees, i.e. insufficient or excessive tax burden increases the risk of speculation (Peňaflor-Guerra et al., 2020; Andrejovská et al., 2020); taxation system (Bucci, 2020) as another key factor affecting tax evasion; social and ethical factors, where the reason of tax evasion can be low civic engagement in the area of tax payment and the level of corruption (Pezzolo, 2020; Stieranka et al., 2016; Andrejovská et al., 2020). Tax control might be ineffective (Kot et al., 2019), if there is a large dispropor- tion between the number of taxpayers and the number of controllers (Stieranka et al., 2016).

Globalization and technological and scientific development, where the rate of tax evasion increases with the technological development and modern IT technologies (Alm, 2021; Barbu, 2020, cit. Dobrovič et al, 2021); and an extremely important issue is double taxation, international tax evasion and tax havens (Rajnoha et al., 2014). The concealment of payments was due to factors such as the free movement of persons, goods and capital, determining the complexity of trading in the context of imperfect legislation, socio-economic factors formed as a result of the economic crisis, tax evasion and the phenomenon is also related to (VAT) (Guias & Haineala, 2021).

Table 3. Factors of tax evasion
3 lentelė. *Mokesčių vengimo veiksniai*

Author	Definition
Stieranka et al. (2016)	Political tax evasion as an expression of disagreement with the politicians and governmental tax policy, expression of disapproval of politicians and government tax policy. Is a large disproportion between the number of taxpayers and the number of controllers.
Kurauone et al. (2021)	Polities and business corruption rate.
Andrejovská et al. (2020)	Economic factors — tax evasion is also influenced by the degree of the economic development of the state.
Dobrovič et al. (2018)	A political environment, tax avoidance as a protest against politicians and tax policy.
Durán-Cabré et al. (2018)	Legislative — quality and stable legislation is necessary to eliminate and prevent tax evasions.
Peňaflor-Guerra et al. (2020)	The level of tax burden and levies — inadequate or excessive tax burden increases the risk of speculations.
Andrejovská et al. (2020)	Different levels of economic development of EU Member States.
Bucci (2020)	Taxation system
Kemme et al. (2020)	Low tax morale
Magbonde et al. (2018)	Tax rates
Khlif & Achek (2015)	Social and ethical factors can lead to tax evasion (may include low participation of citizens in tax payments and higher levels of corruption.
Guias & Haineala (2021)	The free movement of persons, goods and capital, determining the complexity of trading in the context of imperfect legislation" imperfect legal decisions lead to complex movements of goods, capital and trade. Socio-economic factors caused by the economic crisis. Tax evasion and the phenomenon is also related to value added tax (VAT)
Máté et al. (2019)	Control mechanism – tax controls can be ineffective controls can lead to tax evasion
Dobrovič et al. (2021)	Globalisation and technological and scientific development determine the level of tax evasion and are increasing with technological development and IT technologies.
Simser (2008)	Double accounting
Lamaj (2023)	Egoism as a Factor Influencing Tax Evasion, possible profits from avoiding tax contributions. Inefficiency of public administration

Source: compiled by authors
Šaltinis: sudaryta autorių

Little research is found to substantiate the impact of tax rates on tax avoidance. Magbonde et al. (2018) provides Allingham &Sandmo (A-S Model) measuring the relationship between tax rates and tax evasion. This model indicates that an amoral economic agent is considered to be risk-averse and has a utility function explained by his income declared in part because of income tax evasion. According to Lukáč & Simonidesová (2020), it is the basis of bilateral tax relations, but national tax legislation also determines which one applies in specific situations and how it will be applied. It is precisely this application of taxation principles that is one of the main reasons for the non-identification of international tax evasion.

An analysis of economic factors reveals differences in the tax system of each Member State in relation to problems with tax collection. Andrejovská and Andrejkovičova (2024) point out that governments of individual countries seek changes in corporate tax revenues through various government actions and legislative changes. For successful tax collection, it is important to have timely information on tax laws changes in different countries and to apply it in customs processes.

Monitoring tax revenues these days is a frequently discussed topic. Recently, the countrys has been affected by many negative factors such as pandemic and the war in Ukraine, which have led to severe depletion of the budgets of individual countries. The tax burden was found to be lower in the new Member States than in the old EU Member States, although corporate tax rates have been declining, and corporate tax revenues have increased the most. In the last period, the level of corporate taxation in the EU Member States averaged 2.71% of GDP. In the old Member States, the value of corporate tax revenue was on average 2.81% of GDP. In the new Member States, it was 0.20 percent lower. The impact of economic factors varies greatly between the eastern and new Member States, as well as between western and old Member States, because they depend on the decisions of the government of the country in question. Despite the European Union's efforts to harmonise and integrate corporate tax rates, there are differences between member states and the existence of tax competition.

Kurauone et al (2021) points out that the main causes of tax avoidance is corruption, which has negative consequences for the growth of the world's economies. According to Bussy (2023), companies incorrectly report the flow of international trade, to avoid corporate income taxes. In order to reduce taxable profits, some companies avoid reporting exports (sales). The same companies balance the incentives for over-reporting of imports/costs in order to further reduce reported profits, and insufficient reporting of imports combined with exports to reduce obvious discrepancies in the profit and loss accounts submitted by them.

Hossain et al. (2024) divided tax evasion factors into three categories: individual taxpayers, corporate tax payers, and tax administration. The level of income, tax penalties, tax morality, an inefficient tax refund system and the process of calculating taxes are associated with tax evasion. Kemme et al. (2020) found that profitability, corporate governance and financial constraints are key factors that influence the involvement of income taxpayers in avoiding and evading tax. Kemme et al. (2020) identified tax administration factors that lead to disruptions to tax collection. It is a lack of social interaction, mistrust of national officials, complexity of policies, politicized tax administration, lack of political stability, incompetent audit, insufficient registration, lack of administrative collaboration, lack of accountability, insufficient consultation. According to Wijaya & Dewi (2024) the shadow economy, the fiscal deficit, and the interaction of the shadow economy and fiscal deficits with government efficiency simultaneously have a significant impact on tax revenues, therefore, the shadow economy has a direct negative impact on the collection of VAT revenues.

Tax evasion leads to negative socio-economic consequences. In a generally, the development of countries is slowing down due to the insufficient level of funding for public services (Wijaya & Dewi 2024). This leads to a decrease in the quality of education, health, safety and other services in the public sector, whereas the lack of funding does not ensure the proper development of public infrastructure, the chances of improving the competences of the employees of the public sector are reduced. Table 4 provides examples of consequences of tax evasion.

Table 4. Consequences of tax evasion
***4 lentelė**. Mokesčių vengimo pasekmės*

Author	Definition
Saptono et al. (2024)	Weakening enforcement.
Kraus (2000)	Ruining public trust.
Andrejovská & Andrejkovičova (2024)	Discontent among EU members and tax competition due to tax differences.
Simser (2008)	Reputation decline of businesses and financial consultants.
Lamaj (2023)	Economic crime, the rise of the shadow market, upholding a culture of "deceiving power.
Kurauone et al. (2021)	The decline in public finances, increasing poverty in some countries, Slowing down the development of part of the countries.
Wijaya & Dewi (2024)	Decrease in VAT revenue.

Source: compiled by authors
Šaltinis: sudaryta autorių

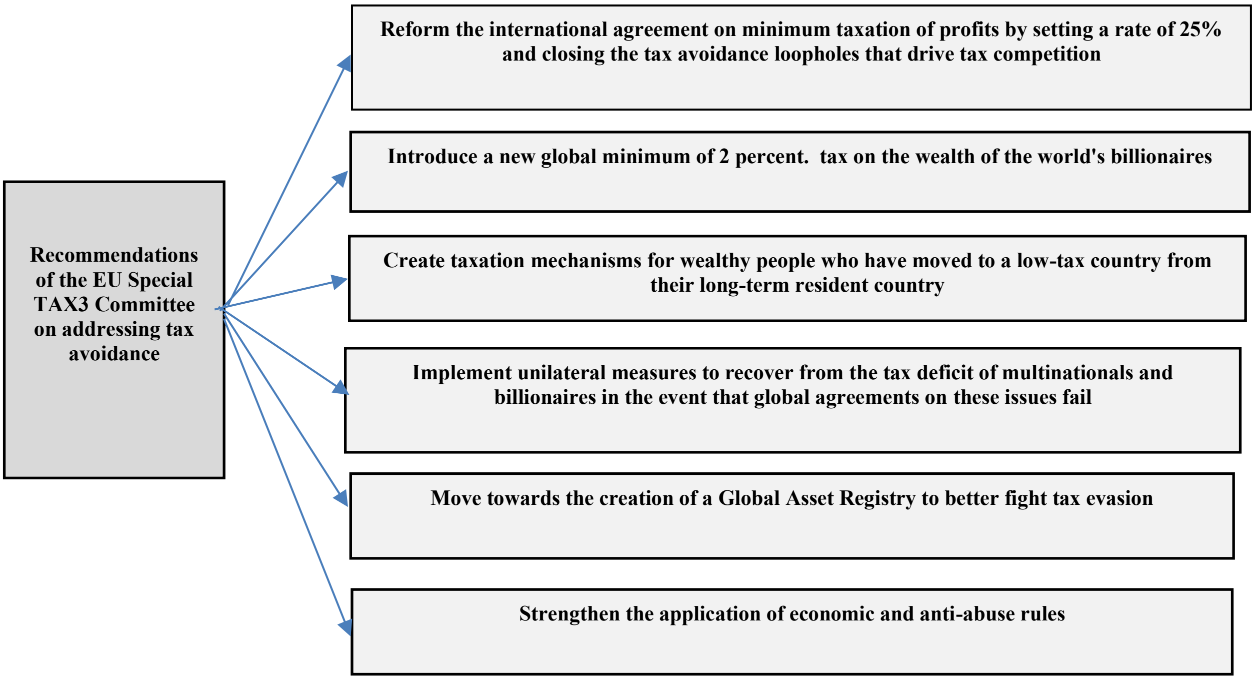
According to Lamaj (2023), tax avoidance has a significant impact on public spending, making it difficult to finance projected costs. The collection of taxes and charges is based on the principle of public interest, which means that a decrease in public goods can have negative consequences for society. Tax avoidance has a negative impact on the economy in terms of lost revenue and, as a result, citizens' access to quality public services is reduced. To ensure that public funds are used efficiently for the benefit of all citizens, tax avoidance must be tackled. One of the measures is the promotion of a culture of tax compliance raising citizens' awareness.

Measures to reduce tax evasion in international trade of the EU

Experts in the EU believe that tax evasion is an important factor limiting the concentration of income that takes place within every country. This is a global phenomenon, so one country cannot solve the problem alone. The Member States of the EU need to do more together to tackle this problem at the international level, both inside and outside the EU. Tax evasion cannot be completely eliminated, which is why it is very important from an economic point of view to find the most effective measures. Legislators can influence the avoidance of decisions that define the boundary between legality and illegality (Guias and Haineala, 2021).

Specific measures are needed to reduce the economic gap between countries in order to combat tax evasion and avoid accidents. The report of the EU Special Committee on Financial Crimes (TAX3) indicates that taxes are the price of a civilised society. A key factor in the financing of democracy and the common good is the mechanism for regulating inequality. This report illustrates the inequalities and failures of the current tax regime and explains how a systematic transition to better results can be made. The question of the voluntariness to pay taxes and the provision of measures to promote this also arise here. Special TAX3 Committee submitted a report A8-0170 / 2019 in 2019 entitled "Financial Crimes, Tax Evasion and Avoidance of Tax Obligations" and made proposals to remedy the problems of inequality in the European Union.

In the report of Special TAX3 Committee submitted a report A8-0170 / 2019 in 2019 entitled "Financial Crimes, Tax Evasion and Avoidance of Tax Obligations" and came up with ideas on how to correct the substance in the EU provides recommendations on how to address the issues of legal regulation and their implementation on tax avoidance issues discussed (Figure 1). The main theme of the recommendations focuses on reducing the tax deficit of multinationals and wealthy individuals and paying taxes fairly, proper performance of tax obligations. Reducing the tax deficit can not only generate large government revenues but also contribute to increasing the social sustainability of globalization (Stiglitz et al., 2024).



Source: according to Stiglitz et al. (2024)
Šaltinis: sudaryta pagal Stiglitz et al. (2024)

1 Fig. Recommendations on addressing tax evasion problems
*1 **pav**. Rekomendacijos mokesčių slėpimo problemų sprendimui*

It is believed that the applicable tax rules cannot keep up with the intensity of economic development. The current international and national tax rules were created a quarter of a century ago, it is now important to urgently reform the rules so that international, European and national tax systems are relevant to the new economic, social and technological challenges of the 21st century. The jurisdiction of a given tax is limited to matters pertaining to its own territory. However, given the global reach of economic activities and certain taxpayers, including multinational corporations and individuals with substantial financial resources, the question of fair taxation becomes a complex issue. It is important to combat tax fraud, tax evasion, aggressive tax planning, and money laundering resolutely, build a just society and a strong economy, defend social obligations, and follow the rule of law.

In the EU Commission's view, a fair and effective tax system is essential for combating inequalities, not only by financing public expenditure to support social mobility but also by reducing income inequality.

The most urgent solutions are needed to reduce the fiscal gap resulting from tax fraud, tax evasion, aggressive tax planning and money laundering, and to reduce their impact on national and EU budgets. It is necessary to ensure a level playing field and fairness in tax matters for all taxpayers, countering growing inequalities and building trust in the democratic process of policymaking. It is important to ensure that fraudsters do not have a competitive tax advantage over honest taxpayers. A joint effort at the EU and national level is essential to protect the EU budget and national budgets from losses due to unpaid taxes. Only with a full and effective collection of tax revenues will states be able to provide quality public services for education, health care and housing. It will also be able to ensure security, crime control and emergency response, social protection and social assistance, ensuring compliance with labour and environmental standards, combating climate change, promoting gender equality, public transport and basic infrastructure. In this way, conditions are formed to promote and/or stabilize socially balanced development.

Kurauone et al. (2021) point out that the main cause of tax avoidance is corruption, which has negative consequences for the growth of the world's economies. Investigators recommend that corrupt political and public officials be given a minimum prison sentence, with the exception of a monetary penalty, to warn the public. The creation of an independent anti-corruption unit, forensic auditing and hotlines make it possible to report corrupt public and political officials, clients or government officials without fear or favouritism. It is also important to improve the culture of political governance and to expose corruption both at the company and at the national level. Prevention of illegal actions is likely to reduce the number of loss of revenues. This can improve the behaviour of all stakeholders, including taxpayers. In addition, government and tax authorities, especially in developing countries, can reduce the favourable ground for corrupt activities by improving both legal and automation technological infrastructure. Key macroeconomic variables related to high liquidity transactions, such as imports and exports, should be monitored and strong regulatory mechanisms should be put in place because the two main revenues of international trade attract tax corruption, which reduces revenues for public finances and development in those countries. According to Lamaj (2023), to combat tax evasion, it is a daunting task to simplify tax laws, while clearly describing the tactics, possible loopholes and limitations of such measures. The timely exchange of information is imperative and by creating an appropriate control structure, the financial administration, tax inspectors and public authorities can prevent the evasion of income of private companies.

It is very important to pay special attention to the country's tax laws and ensure that they are fair to everyone. A fair tax system that encourages payers to comply with tax laws can reduce tax evasion. Uyar et al. (2022) refers to an important the role of education in reducing tax avoidance. and states, .so that tax education can make a significant contribution to solving the problem, and can facilitate fight against tax evasion, to improve numeracy skills and tax knowledge. In this context, an important condition is technological progress and technological innovations in the field of education. In order to reduce corruption related to tax evasion, and ensure the receipt of public finances, strict regulation of import and export taxes is necessary. To halt the decline in public finances, it is appropriate to simplify tax laws, closing loopholes and restrictions, to carry out a clear and timely sharing of information between the responsible control authorities, to ensure the correctness of the payment of taxes to all taxpayers.

Conclusions

1. The problem of tax avoidance in the EU's international trade is significant. Statistics show that tax evasion is not uniform across EU Member States. Sweden has the lowest rate of tax avoidance, low – in the Netherlands, Luxemburg, Denmark, Cyprus, and Austria. Romania has a high level of tax avoidance, in Lithuania and Latvia, tax avoidance is at a high level and is gradually increasing. Trends in tax evasion are also observed in other States; therefore, the planning and application of tax evasion prevention measures remain very relevant.
2. The factors of tax evasion can be divided into three groups: conduct of individual taxpayers (income level, tax penalties, tax morality, inefficient tax refund system and tax calculation process); factors determining corporate tax behaviour (profitability, corporate governance and financial constraints); factors related to tax administration, monitoring and control (lack of social interaction, distrust of officials, complexity of tax policy, incompetent auditing, insufficient administrative cooperation, tax prosecution, lack of accountability and consultation). The consequences of tax avoidance can be seen as factors in the slowdown in socio-economic development in each country.
3. The measures developed to tackle tax avoidance can be applied at the Member State level. It is appropriate to promote a culture of tax compliance of natural and legal persons and to ensure smooth tax administration by ensuring equal rights for all taxpayers. It is proposed to reform international, agreements on the minimum corporate tax rate, to close loopholes in tax avoidance, to create taxation mechanisms for wealthy people who have moved to a low-tax country, and to strengthen the application of economic and anti-abuse rules. In order to halt the decline in public finances, it is appropriate to simplify tax laws, and restrictions, and carry out a clear and timely sharing of information between the responsible control authorities, to ensure the correctness of the payment of taxes to all taxpayers.

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