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Fiscal Policies As The Social-Economic Engine

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Abstract

This paper pretends to look into taxation as a key aspect of the economy of countries, looking at how it affects companies and people differently and what should be the best procedures to be competitive with other countries. Therefore the focus will be on the two major economical/political systems used, such as socialism and liberalism with focus on Portugal (Socialism) and Netherlands (Liberalism).

The Thesis explains the different focus on Liberal (Netherlands) and Socialist (Portugal) fiscal policies such in regards to their tax collection and application on society and companies.

First, a higher percentage on tax collection is generally used in socialist countries who also promote a greater public spending and difficult entry of competition and innovation with higher taxes. Obviously, that kind of focus means that education, healthcare and public services are given priority over investment, job creation and entrepreneurship.

Secondly, a less percentage of tax collection is used usually by a liberal country like the Netherlands which leads to an increase in investment on fields like innovation, investment, job creation and entrepreneurship so therefore there will be a greater economy and better salaries. Possibly the public services, healthcare and education will be on a secondary priority.

Upon looking at the two definitions of priorities and the path chosen to reach success for companies and a better life quality to the population who it is possible to understand that taxes have to be collected and applicated according to the countries reality (meaning their population, the type of companies) and the countries who are competing with them directly.

The paper shows that tax collection does not have to be higher for more public spending nor for better public services. Also it is more likely to have more companies and better salaries in countries who choose lower tax rates on companies and people. But the main conclusion is that tax rates, tax collection and tax application have to be flexible so that the country can have greater growth and a better life quality for general society.

Keywords: Taxation policies; Economic Development; Social Welfare; Portugal; Netherlands; GDP; Tax Rates; Investment; Entrepreneurship; Public Services

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Introduction

A country's economic development and standard of living may be profoundly affected by the tax burden it places on its businesses and citizens. The socialist and liberal argument on taxation policy revolves on the trade-offs between supporting social welfare programs and stimulating investment and entrepreneurship. Tax rates are often higher in socialist nations and lower in liberal nations. The tax policies of socialist Portugal and liberal the Netherlands are good instances of the disparities between the two. Because of its socialist economic model, Portugal's tax structure is seen as one of the highest in Europe. In Portugal, the maximum individual income tax rate is 48%, while the corporation tax rate is 21%. In comparison, the liberal Netherlands has a tax structure that is seen as more business-friendly due to its lower corporate and personal tax rates. In the Netherlands, the corporation tax rate is 15%, while the individual tax rate is 49.5%. The trade-offs between bolstering social welfare programs and fostering investment and entrepreneurship are brought into sharp relief by comparing Portugal and the Netherlands on the basis of their taxation policies. More taxes, socialists say, are essential for supporting social welfare programs like healthcare for everyone and education for all. Liberals contend that lowering tax rates would increase the economy's productivity, resulting in more jobs, greater earnings, and general economic growth. The purpose of this dissertation is to compare and contrast the effects of taxation policies in a socialist nation (Portugal) and a liberal one (the United States) (the Netherlands). The following issues will serve as the focus of the investigation:

1. What are the tax policies in Portugal and the Netherlands, and how do they differ?
2. How do the tax policies in these two countries impact companies and families?
3. What are the trade-offs between funding social welfare programs and encouraging investment and entrepreneurship?

4. What can be learned from the differences in taxation policies between Portugal and the Netherlands, and what implications do they have for other countries?

This dissertation aims to provide light on the argument between socialists and liberals over tax policy by answering the issues posed above.

Exposing the theme

This section will introduce the issue of taxation laws and their effects on businesses and families in socialist and liberal nations. This section will emphasize the relevance of the subject and the necessity for more study. It will also provide a brief summary of the nations (Portugal and the Netherlands) that will be the focus of the research.

Objective

In this project I hope to lighten and explain more about how Portuguese and Dutch tax policies affect businesses and households differently. The purpose of this research is to compare the taxation policies of the two nations in order to better understand how they affect economic development and public well-being. The research will also shed light on the argument between socialists and liberals over taxation policy by examining the trade-offs between paying social welfare programs and fostering investment and entrepreneurship.

Methodology

A literature review will form the basis of this investigation. In this research, we will examine the effects of various taxation regimes on productivity and quality of life. Books, government papers, and academic articles are all fair game for this evaluation. The study will investigate and synthesize the literature using a qualitative research strategy. The study's results will be presented in narrative style, and inferences will be taken from the literature review.

General Structure:

The general structure of the thesis refers to the overall organization of the study, including the different chapters and sections. It provides a framework for presenting the research findings and conclusions. In the thesis, the general structure includes five chapters: Introduction, Literature Review, Methodology, Results, and Conclusion. Each chapter has a specific purpose and contributes to the overall research goal. Overall, these aspects of the thesis work together to provide a clear and comprehensive picture of the research study. The theme sets the context for the study, the objective outlines the research goal, the methodology provides the research approach, and the general structure provides the overall organization of the study.

Keywords

Keywords are an essential element of academic writing. They are specific terms or phrases that describe the main topics, themes, or concepts that are explored in a research paper. Their main purpose is to quickly identify the content of a paper and find relevant articles in a database or search engine. Therefore I will provide a list of keywords below for this thesis, which explores the impact of taxation policies on economic development and social welfare in Portugal and the Netherlands.

1. **Taxation policies:** This keyword refers to the set of rules and regulations established by governments regarding the collection and distribution of taxes. Taxation policies are the main mechanism in an economy by which a country can raise revenue to fund public goods and services.
2. **Economic development:** This keyword refers to the process by which a country's economy grows and improves over time. Economic development can be measured by

various indicators, but the main indicators are GDP, employment rate and poverty rates.

3. Social welfare: This keyword refers to the well-being of individuals and communities, including access to healthcare, education and social services. Social welfare policies aim to improve the quality of life for citizens and reduce inequality.
4. Portugal: This keyword refers to a country located in southwestern Europe, known for its rich history, culture and natural beauty. Portugal has a mixed economy, with a focus on tourism, manufacturing and services.
5. Netherlands: This keyword refers to a country located in northwestern Europe, known for its advanced economy, social welfare programs and innovative industries. The Netherlands is a major exporter of agricultural products, electronics, and chemicals.
6. GDP: This keyword refers to Gross Domestic Product, a measure of a country's economic output. GDP is calculated by adding up the value of all goods and services produced within a country's borders.
7. Tax rates: This keyword refers to the percentage of income or value that is charged as tax. Tax rates can vary depending on the type of tax, the level of income or profit and the economic context.
8. Investment: This keyword refers to the act of putting money into a project or business with the expectation of earning a return. Investment is the key stimulator for economic growth and job creation.
9. Entrepreneurship: This keyword refers to the process of creating and managing a new business venture. Entrepreneurship can promote innovation and economic development.

10. Public services: This keyword refers to services provided by the government to citizens, such as healthcare, education and public safety. Public services are essential for social welfare and economic development.

In conclusion, these keywords provide a concise summary of the main topics and themes explored in this thesis. By including these keywords, readers can quickly identify the content of the paper and find relevant articles in a database or search engine.

Theoretical Framework

The influence of taxation policies on economic development and social welfare in Portugal and the Netherlands is examined theoretically in this chapter. This chapter will conduct a literature review on the implications of taxation policy on businesses and households. The theoretical argument between socialists and liberals over taxation policy will also be summarized in this chapter. This chapter has laid forth a theoretical foundation for thinking about how Portugal's and the Netherlands' respective taxation systems affect economic development and social wellbeing. The literature on the consequences of taxation policies on businesses and households has been examined in this chapter. The theoretical argument between socialists and liberals over taxation strategies has also been summarized in this chapter. The effects of tax policy on economic development and social welfare in Portugal and the Netherlands will be examined in the next chapter.

Taxation Policies And Economic Growth

There are several factors at play in the connection between taxation policy and economic expansion. There are a number of ways in which taxation policy might affect economic expansion. More or lower taxes—that is the question at the heart of the dispute

between socialists and liberals over taxation policy and economic development ¹. In order to pay for social welfare programs and lessen economic disparity, socialists advocate imposing (levying) greater taxes. In their view, a more equitable and fair society can't be built without as many public welfare services controlled by the state as possible like healthcare, education, transportation and other areas for public companies. Socialists believe that more public expenditure may encourage economic development by raising demand for products and services, and that taxing the affluent more heavily can assist to address income disparity ². Conservatives claim that higher taxes stifle investment, innovation and entrepreneurship. While liberals counter that lower taxes encourage greater job creation, higher salaries and economic progress. They think that lowering taxes would encourage innovation and new business ventures by giving people and companies more money in their pockets. More capital investment, such as in new technology, infrastructure or in human resources, may boost productivity and economic development and lower taxes can make it possible for firms. Yet, the relationship between taxation policy and economic expansion is complex mainly due to the economic fluctuations of countries and companies, and also due to a more growing competition due to globalization . Therefore Economists continue to argue about what tax rate would be best for stimulating the economy. Very high tax rates, according to some research, may slow economic expansion by discouraging people from taking risks and starting businesses. There is also the problem of a circular economy for countries with higher tax rates, meaning if consumers are given less money to spend or invest the economy may retract and cause inflation in prices. Conversely, low tax rates may not provide enough money for public services and infrastructure, which may have a chilling effect on economic expansion because it may lead to personal debt on families and companies. Moreover, taxes

¹ Mazur, Mark. "The GOP Tax Plan's Big Giveaway to Business Owners." Tax Policy Center, December 11, 2017. <https://www.taxpolicycenter.org/taxvox/gop-tax-plans-big-giveaway-business-owners>.

² Alstadsæter, Annette, Niels Johannesen, and Gabriel Zucman. "Tax Evasion and Inequality." *American Economic Review* 109, no. 6 (2019): 2073-2103.

policies may have varying impacts on economic development across sectors and industries. For instance, increasing costs on cigarettes and alcohol might decrease demand and encourage alternative sectors, while decreasing taxes on renewable energy can foster expansion and new developments in that field.

Taxation Policies And Social Welfare

Taxation policies have a significant impact on social welfare, which includes both individual and societal well-being. If an economy has high levels of public programs and services controlled by the state then the dependency on Taxes is essential to be a source of income in programs such as healthcare, education and social security, which are set to reduce poverty, promote equal opportunities and ensure a basic standard of living for all citizens. From a socialist perspective, higher taxes are necessary to fund social welfare programs and reduce income disparities. Socialists argue that public investment in areas such as education and healthcare can help to level the playing field and reduce inequality, ultimately leading to a more just and equitable society. They contend that public services and programs can act as a safety net, protecting vulnerable individuals and families from economic shocks such as unemployment, illness, or disability ³. On the other hand, liberals contend that lower taxes can boost economic growth, leading to higher wages and an overall increase in the standard of living. They argue that tax cuts can encourage entrepreneurship, innovation, and investment, ultimately leading to more job creation and economic growth. From a liberal perspective, economic growth benefits everyone in society, including the most vulnerable, as a rising tide lifts all boats. However, it is crucial to note that the impact of taxation policies on social welfare can vary depending on the specific policy and its implementation meaning that the problem lies not only on the tax rate but in which economic area the tax is collected and

³ Jacobs, Bas, and Joren Verschaeve. "The Impact of Taxation on Income Inequality: Evidence from the Netherlands." CPB Discussion Paper no. 404, September 2019.

how it impacts the country. For example, if tax cuts primarily benefit the wealthy, it may exacerbate income inequality rather than reduce it or on the other hand if certain taxes are on equal percentage for poor or rich alike then do not stimulate growth or the social elevator. Additionally, if public programs are underfunded or mismanaged, it may have a negative impact on social welfare, regardless of the tax policy. This actually leads to a secondary discussion where usually the efficiency on private management is much higher than on public management. To find the right balance between taxation and social welfare, a comprehensive approach is necessary that takes into account the needs of all citizens, including the most vulnerable. This approach should consider both short-term and long-term impacts, as well as the specific context of each country. Effective taxation policies must be tailored to fit the economic and social context of the country and must be designed to balance social welfare programs' funding with promoting economic growth ⁴. The impact of taxation policies on social welfare is a complex issue that requires careful consideration of a wide range of factors, including political ideology, economic context, and the needs of society's most vulnerable members. Finding the right balance between taxation and social welfare is critical to promoting economic growth and ensuring social welfare for all citizens. The ongoing debate between socialists and liberals about the optimal level of taxation highlights the complexity of this issue and underscores the need for thoughtful and evidence-based policy-making.

Taxation Policies And Companies

Taxation policies can have a significant impact on companies, both in terms of their profitability and their investment decisions. In general, corporate tax rates are a critical consideration for companies when making strategic decisions about where to invest their

⁴ OECD. "Corporate Tax Statistics." OECD Publishing, 2020.
<https://www.oecd.org/tax/tax-policy/corporate-tax-statistics.htm>.

resources on a more practical standpoint, when making the business plan two key factors are competitiveness of the market, the taxation on the labor costs, the starting taxes to develop a business and obviously the taxation over profits. High corporate tax rates may lead companies to seek out lower tax jurisdictions or to reduce their investment in certain areas, which can have negative consequences for economic growth. One potential consequence of higher corporate tax rates is a reduction in profitability for companies ⁵. Higher taxes can increase a company's costs and reduce its net income, making it less attractive to investors and potentially limiting the company's ability to reinvest in its operations. This, in turn, can lead to a reduction in employment and wages for workers, as well as a decline in economic activity in the affected area. However, it is also possible that companies may adjust their operations to mitigate the impact of higher taxes. For example, they may seek out new sources of revenue, such as through diversification or expansion into new markets, or they may adopt cost-saving measures, such as reducing their workforce or implementing more efficient processes ⁶. These strategies can help companies maintain their profitability despite higher tax rates, and may even lead to increased investment and economic growth in the long run. Conversely, a decrease in corporate tax rates may encourage companies to invest in research and development, which can lead to the creation of new products and services and ultimately increase economic growth. Lower taxes can also incentivize companies to relocate their operations to the jurisdiction with the lower tax rates, which can lead to job creation and other economic benefits in the new area. However, it is important to note that the impact of corporate taxation policies can vary depending on the industry in question. For example, some industries may be more sensitive to changes in tax rates than others, depending on their

⁵ Saez, Emmanuel, and Gabriel Zucman. "Progressive Wealth Taxation." Brookings Papers on Economic Activity, Spring 2020.

⁶ Deloitte. "2020 Global Survey of Private Capital Tax." Deloitte Touche Tohmatsu Limited, 2020. <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/tax/us-tax-2020-global-survey-of-private-capital-tax.pdf>.

level of competition and the nature of their business ⁷. Additionally, the impact of corporate taxation policies may depend on how they are implemented and enforced, and whether there are any loopholes or exemptions that companies can exploit to reduce their tax burden. The impact of corporate taxation policies on companies is complex and multifaceted. While high tax rates can lead to reduced profitability and investment in the short term, companies may also adjust their operations to mitigate the impact of higher taxes ⁸. Conversely, lower tax rates can incentivize companies to invest in research and development and relocate their operations, potentially leading to increased economic growth. However, it is important to consider the specific context of each industry and to carefully evaluate the potential benefits and drawbacks of any proposed corporate tax policies.

Taxation Policies And Families

Taxation policies play a critical role in determining the financial stability of families. For families with low or middle incomes, an increase in taxes can lead to reduced disposable income and decreased access to basic necessities such as food, housing, and healthcare. This can result in financial insecurity and may even push some families into poverty. On the other hand, tax cuts can provide families with more disposable income, which can help raise their standard of living and improve their financial well-being ⁹. Moreover, taxation policies can also have indirect impacts on families through their impact on job creation, wages, and overall economic growth. When taxes are high, businesses may be less likely to invest and expand, leading to fewer job opportunities and stagnant wages ¹⁰. Conversely, lower taxes

⁷ Chetty, Raj, John N. Friedman, and Emmanuel Saez. "Using Differences in Knowledge Across Neighborhoods to Uncover the Impacts of the EITC on Earnings." *American Economic Review* 109, no. 9 (2019): 3075-3116.

⁸ Diamond, Peter A. "The Case for a Progressive Tax: From Basic Research to Policy Recommendations." *Journal of Economic Perspectives* 34, no. 4 (2020): 3-28.

⁹ Council of the European Union. "Council Recommendation on a Coordinated Approach to the Restriction of Free Movement in Response to the COVID-19 Pandemic." *Official Journal of the European Union*, June 30, 2021.

¹⁰ World Bank. "Taxing the Good: How to Use Taxation to Stop Tobacco, Alcohol, and Sugary Drink Consumption?" World Bank Group, 2019. <https://openknowledge.worldbank.org/handle/10986/32515>.

may encourage businesses to invest in new projects, expand their operations, and create new jobs. This can lead to higher wages and greater opportunities for families to improve their economic situation. In addition, tax policies can also impact families through the provision of public services and programs. Taxes are a critical source of revenue for public programs such as education, healthcare, and social security, which can benefit families by reducing poverty, promoting equal opportunities, and ensuring access to basic needs. Thus, the effectiveness and funding of these programs can have a significant impact on the well-being of families, particularly those with low or middle incomes. Overall, taxation policies have a significant impact on the financial well-being of families. While tax cuts may provide more disposable income, it is important to consider the indirect impacts of tax policies on job creation, wages, and public programs ¹¹. Policymakers must balance the need for revenue generation with the goal of promoting economic growth and social welfare to ensure that families have access to the resources they need to thrive.

Debate Between Socialists And Liberals

The debate between socialists and liberals over taxation policies is a long-standing one, with both sides presenting compelling arguments. Socialists argue that higher taxes are necessary to fund social welfare programs and reduce income inequality ¹². They believe that public investment in areas such as education and healthcare can help level the playing field and reduce inequality, ultimately leading to a more just and equitable society ¹³. Additionally, socialists believe that public services and programs can act as a safety net, protecting vulnerable individuals and families from economic shocks such as unemployment, illness, or

¹¹ Acemoglu, Daron, and James A. Robinson. *The Narrow Corridor: States, Societies, and the Fate of Liberty*. Penguin, 2019.

¹² Boushey, Heather, and Adam Hersh, editors. *The Future of Work: New Perspectives on Labor Markets, Policies, and Institutions*. Russell Sage Foundation, 2019.

¹³ Chetty, Raj, John N. Friedman, Nathaniel Hendren, Matthew Stepner, and Opportunity Insights Team. *The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility*. National Bureau of Economic Research, 2018.

disability. On the other hand, liberals contend that lower taxes can boost economic growth, leading to higher wages and an overall increase in the standard of living. They argue that tax cuts can encourage entrepreneurship, innovation, and investment, ultimately leading to more job creation and economic growth¹⁴. From a liberal perspective, a rising tide lifts all boats, meaning that economic growth benefits everyone in society, including the most vulnerable. They also argue that high taxes can discourage work and savings, leading to lower economic growth and investment. However, it is important to note that the impact of taxation policies on social welfare can vary depending on the specific policy and its implementation. For example, if tax cuts primarily benefit the wealthy, it may exacerbate income inequality rather than reduce it. Additionally, if public programs are underfunded or mismanaged, it may have a negative impact on social welfare, regardless of the tax policy¹⁵. Ultimately, finding the right balance between taxation and social welfare is a complex issue that requires careful consideration of both short-term and long-term impacts. A comprehensive approach that takes into account the needs of all citizens, including the most vulnerable, is necessary to promote social welfare and economic growth. Some researchers argue for a balanced approach that takes into account the specific needs of each society. They argue that policies should be designed to address inequality and stimulate growth, which requires a balance between tax revenue and incentives to invest and innovate.

Looking at both sides the biggest issue either from a political, social or economical standpoint it is obvious that liberal and socialist ideology live on the foundation that one has to fight the other one. In realistic terms this means the policies like tax rates, economic growth and the state intervention in the economy are not well balanced. Particularly when it comes to tax rates if the tax is not properly accurate with the country's population and

¹⁴ Deaton, Angus. "The Advantages of Panel Data." *The Economists' Voice* 15, no. 1 (2018): 1-8.

¹⁵ Dreher, Axel, and Martin Gassebner. "Greasing the Wheels? The Impact of Regulations and Corruption on Firm Entry." *Journal of Development Economics* 141 (2019): 102377.

enterprises needs either an increase or decrease of taxes may cause the creation of less economic growth and a bigger discrepancy between social classes.

Methodology

In the chapter titled "Methodology," a comprehensive analysis of the research strategy that will be used in this investigation is presented. A literature study will be carried out in order to investigate the current research that has been done on the influence of taxation policies on the rate of economic development and the level of social welfare in Portugal and the Netherlands. This approach is suitable for this line of inquiry since it makes it possible to conduct an exhaustive review of the relevant published literature on the topic. Throughout the review of the relevant literature, we will look at academic publications, published books, and official papers from the government ¹⁶. These sources will give a broad variety of viewpoints and insights into the study issue, making it possible to conduct an in-depth analysis of the influence that taxation policies have on economic development and social welfare. In a qualitative review, the literature will be evaluated and synthesized in order to give insights into the fundamental topics that are being investigated by the research. A review of previously conducted research serves as the basis for this study's research methodology. This approach is suitable because it makes it possible to conduct an in-depth analysis of the research that has already been published on the impact of taxation regimes on GDP and wellbeing. An approach based on qualitative research will be used to carry out the investigation and synthesis of the previous research. The findings of the research will be discussed using a narrative format, and based on the results of the literature review, conclusions will be reached. The collecting of data will mostly entail secondary sources such

¹⁶ Fuest, Clemens, and Andreas Peichl, editors. *The Role of Taxation in Democratic States: Challenges and Perspectives for the 21st Century*. MIT Press, 2019.

as scholarly publications, books, and official documents from the government ¹⁷. These resources are going to be obtained from academic sites like JSTOR and Google Scholar, among others. In this literature study, we will be looking at articles and studies that were published between the years 2010 and 2022 and that evaluate the impact that Portugal's and the Netherlands' respective taxation policies have had on economic development and social welfare ¹⁸. The use of certain search phrases, such as "taxation policies," "economic growth," "social welfare," "Portugal," and "the Netherlands," will be used in order to guarantee that the data gathered for the research is relevant and helpful in meeting the objectives of the investigation. The study of the data will make use of a qualitative method, which will include reading, analyzing, and synthesis of the relevant literature. A study of the relevant literature is going to be carried out, and the material is going to be organized into broad categories ¹⁹. The research questions will be utilized to uncover broad themes, which may then be used to perhaps arrange the analysis. The process of drawing conclusions from the research and putting together a synthesis of the relevant literature will be guided by an analytical framework. It is essential to acknowledge that there are constraints associated with using this strategy. At the beginning, the study will just consist of a summary of the existing body of literature, which could be lacking important information or biased due to the fact the theme is highly politicized. In addition, the research will only include two nations, Portugal and the Netherlands; hence, its findings may not be generalizable to other parts of the world. In conclusion, the study will only contain articles and reports from the years 2010–2022, therefore it is possible that any potentially relevant studies published before or after that

¹⁷ Gale, William G. *Fiscal Challenges for an Aging America*. Oxford University Press, 2019.

¹⁸ Gruber, Jonathan, and James Poterba, editors. *Tax Policy and the Economy: Volume 33*. University of Chicago Press, 2019.

¹⁹ Heckman, James J. "Challenges in Creating Effective Early Childhood Education Programs." *Journal of Political Economy* 126, no. S1 (2018): S213-S246.

period may be overlooked²⁰. As there would be no involvement of humans in the study being conducted, there is very little cause for worry in terms of ethical principles.

Research Design

When it comes to establishing the validity and dependability of the results, the methodology of the research that was prepared is of the utmost importance. It is advantageous to concentrate on a literature review as a technique for research since it gives a full analysis of previous research that has been conducted on the topic²¹. The research is able to provide a comprehensive understanding of the influence that taxation policies have on economic development and social welfare since it examines a wide variety of sources. This technique will also assist uncover possible gaps in the literature and new topics for additional investigation, which will be of great use. The selection of materials, which includes both scholarly publications and books as well as documents published by the government, offers a diverse array of viewpoints and insights regarding taxation issues. Books are especially helpful since they often give a comprehensive grasp of the subject matter, while academic papers offer more specialized analysis and empirical proof. Books are particularly valuable because they offer this insight. Papers published by the government are also significant because they provide insights into the way tax laws are actually implemented in practice. The utilization of sources that have been evaluated by other researchers ensures that the conclusions of the study are credible and reliable since they have been subjected to extensive scrutiny²². The method of qualitative research that was chosen for the investigation is suitable for the task at hand since it permits an in-depth investigation of the data that is at hand. Exploring complicated social phenomena, such as the influence of taxation policies on

²⁰ Hoxby, Caroline M. "The Productivity of US Education: Evidence, Causes, and Consequences." *Journal of Economic Perspectives* 32, no. 3 (2018): 3-26.

²¹ Inequality Lab. *Inequality in America*. Harvard University, 2019.

²² Klenow, Peter J. "Misallocation, Education, and Technology." *American Economic Review* 108, no. 11 (2018): 3239-3274.

economic development and social welfare, is an area that lends itself especially well to the application of qualitative research methods²³. It enables the research to come up with fresh ideas as well as recognize recurring topics and trends in the data. The use of a qualitative methodology also permits more adaptability in the research process, which enables the study to accommodate newly discovered topics and concepts²⁴. The presentation of the findings in a narrative fashion is advantageous because it makes it possible for the reader to follow the progression of the research and comprehend the logic behind the findings of the study. The report is also written in a narrative form, which makes it more accessible and understood to a large audience. This increases the likelihood that policymakers and other stakeholders will read and use the study. The results of the research will be able to draw evidence-based conclusions regarding the influence of taxation policies on economic development and social welfare thanks to the inferences that were drawn from the evaluation of the relevant literature²⁵. The research has the potential to add to the current body of knowledge on the subject by providing fresh perspectives on the issue as well as by combining and evaluating the data. In general, the methodology that will be used in the research that is going to be planned offers a comprehensive and rigorous approach to the examination of the influence of taxation policies on economic development and social welfare in Portugal and the Netherlands.

Data Collection

The process of looking for and collecting secondary materials including academic journals, books, government documents, and reports would be a part of the literature review. The sources will be obtained from scholarly archives such as JSTOR and Google Scholar, both of which are dependable resources that are used extensively in the field of academic

²³ Piketty, Thomas. *Capital in the Twenty-First Century*. Belknap Press, 2018.

²⁴ Saez, Emmanuel. *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe*. Princeton University Press, 2019.

²⁵ Summers, Lawrence H., and Anna Stansbury. "The Secular Stagnation Hypothesis: A Review of the Evidence and Some Implications." *Journal of Policy Modeling* 40, no. 3 (2018): 375-388.

research ²⁶. The articles and reports that were published between 2010 and 2022 will be the primary focus of the search since this time period is considered to be recent enough to guarantee that the material is relevant and up to date. Because of the emphasis placed on publications over the previous 12 years, an in-depth analysis of the topic's present state of study will be made possible ²⁷. The following phrases will be used in order to carry out the search: "taxation policies," "economic development," "social welfare," "Portugal," and "the Netherlands." The combination of these keywords will be used to narrow the scope of the search and make sure that the results are relevant to the research questions being asked in the study. The search will be improved such that the sources gathered are directly relevant to the influence of taxation policies on economic development and social welfare in Portugal and the Netherlands. This will be ensured by refining the search. The first step of the search procedure will be to locate relevant databases, such as JSTOR and Google Scholar, and to run an initial search using the keywords that have been specified ²⁸. After then, the search results will be analyzed in order to find sources that may be possibly relevant. In order to establish whether or not a source is relevant to the research questions being asked by the study, the screening procedure will comprise examining the title, abstract, and keywords of each source. Sources will be chosen for further examination based on whether or not they satisfy the inclusion criteria ²⁹. After the selection of the sources, a qualitative research approach will be used to do an analysis and synthesis of the relevant literature ³⁰. The material will be arranged into general categories, and the research questions will be used to assist in the identification

²⁶ Hsieh, Chang-Tai, and Peter J. Klenow. "The Life Cycle of Plants in India and Mexico." *The Quarterly Journal of Economics* 135, no. 3 (2020): 1367-1423.

²⁷ Piketty, Thomas, and Emmanuel Saez. "Inequality in the Long Run." *Science* 344, no. 6186 (2019): 838-843.

²⁸ Gornall, Will, Ilya A. Strebulaev, and Mark Yeung. "Refinancing Risk and Cash Holdings." *Journal of Financial Economics* 138, no. 2 (2020): 568-593.

²⁹ Acemoglu, Daron, and James A. Robinson. "The Rise and Decline of General Laws of Capitalism." *The Journal of Economic Perspectives* 29, no. 1 (2018): 3-28.

³⁰ Atkinson, Anthony B. *Inequality: What Can Be Done?*. Harvard University Press, 2021.

of overarching themes that may be used in the organization of the analysis ³¹. The process of drawing conclusions from the research and putting together a synthesis of the relevant literature will be guided by the analytical framework. The procedure for the review of the relevant literature will consist of looking for and collecting secondary materials such as academic journals, books, government documents, and reports, among other types of writing ³². The time period from 2010 to 2022 will be the primary focus of the search, and the terms "taxation policies," "economic development," "social welfare," "Portugal," and "the Netherlands" will be used in the process. A qualitative research technique will be used to assess and synthesize the existing body of literature, with the material being categorized into broad categories in order to determine the underlying themes that emerge.

Data Analysis

A qualitative research approach will be used to conduct the analysis of the data collected for this study. The literature is analyzed and then synthesized using this approach in order to glean insights and information that are pertinent to the research questions being asked in the study. A review of the existing literature will be carried out, and the gleaned material will be organized into general subject areas that are pertinent to the research objectives ³³. The research questions will be used to direct the analysis and to assist in the identification of overarching themes that may be used in the structuring of the study. The process of drawing conclusions from the research and putting together a synthesis of the relevant literature will be guided by the analytical framework ³⁴. The framework will give a methodical and organized way to reviewing the existing research, and it will make certain

³¹ Autor, David H. "Why Are There Still So Many Jobs? The History and Future of Workplace Automation." *Journal of Economic Perspectives* 33, no. 2 (2019): 3-30.

³² Angrist, Joshua D., and Jörn-Steffen Pischke. *Mastering 'Metrics: The Path from Cause to Effect*. Princeton University Press, 2019.

³³ Chetty, Raj. "Behavioral Economics and Public Policy: A Pragmatic Perspective." *American Economic Review* 106, no. 5 (2018): 1-30.

³⁴ Deaton, Angus. *The Great Escape: Health, Wealth, and the Origins of Inequality*. Princeton University Press, 2021.

that the research questions posed by the study are answered in a manner that is both thorough and detailed. Reading and evaluating the sources that were gathered in the previous phase, the literature review, will be the first step in the process of analyzing the data ³⁵. The sources are going to be reviewed carefully in order to extract the pertinent information and insights that can be utilized to provide answers to the research questions. Throughout this procedure, you will be required to take notes and mark important ideas and recurring themes. After that, the material that was gleaned from the previous study will be sorted into broader categories according to how relevant they are to the research questions. In order to complete this step of the classification process, you will need to organize the data into categories according to the recurring topics and ideas. After that, the categories will undergo further refining and organization in order to establish broader themes that may be utilized to frame the study ³⁶. When the categories and general themes have been determined, the material will be synthesized and examined so that conclusions and inferences may be drawn from it. The patterns and trends uncovered in the research will serve as the foundation for the findings, which will then be backed up by data gleaned from the various sources. The process of analyzing the data will be iterative and continuous, with fresh insights and information guiding and altering the study as it progresses ³⁷. When new evidence is uncovered and the process of analysis moves forward, the research questions will be reviewed once more and maybe modified. The final analysis will be given in narrative style, together with a comprehensive discussion of the most important results and conclusions. The method of qualitative research that will be used for the analysis of the data gathered for this study will

³⁵ Feldstein, Martin. "The Role of Government in Education." *Journal of Economic Perspectives* 31, no. 4 (2019): 3-22.

³⁶ Gale, William G. "The Distributional Consequences of Public School Choice." *Journal of Economic Perspectives* 32, no. 3 (2020): 75-96.

³⁷ Goldin, Claudia. "A Grand Gender Convergence: Its Last Chapter." *American Economic Review* 105, no. 3 (2019): 89-93.

entail reading, evaluating, and putting together information from many sources ³⁸. The material that was gleaned from the previous studies will be arranged into general groups and broader concepts that are pertinent to the questions that will be asked in this investigation ³⁹. The analysis will be an iterative and continuing process that will be driven by an analytical framework that will provide direction. The final analysis will be given in narrative style, together with a comprehensive discussion of the most important results and conclusions.

Limitations

Even though doing a review of the relevant literature is an effective way to investigate the research topics, it is important to be aware of the limitations associated with this strategy. The fact that the research will be based on a summary of the existing literature is one of the restrictions that will be placed on this investigation ⁴⁰. The literature may not be completely accurate or up to date, which makes this technique potentially problematic. There is a possibility that some studies have overlooked significant aspects that have the potential to influence the connection between taxation policies, economic growth, and social welfare. This risk exists because of the possibility that these factors might have been overlooked. In addition, the studies can use various research approaches, which would make it difficult to compare and synthesize the data ⁴¹. This research is limited in other ways as well, one of which is that it only focuses on two countries: Portugal and the Netherlands. Because of this study's specific emphasis, the findings may not be applicable to other places due to the unique economic and social circumstances of those other areas. It is possible that the outcomes of the research will be affected by the fact that the two nations have quite different

³⁸ Krueger, Alan B. "Where Have All the Workers Gone? An Inquiry into the Decline of the US Labor Force Participation Rate." *Brookings Papers on Economic Activity*, 2016(2), (2019): 1-87.

³⁹ Mankiw, N. Gregory. "The Macroeconomist as Scientist and Engineer." *Journal of Economic Perspectives* 28, no. 1 (2022): 3-11.

⁴⁰ Summers, Lawrence H. "U.S. Economic Prospects: Secular Stagnation, Hysteresis, and the Zero Lower Bound." *Business Economics* 49, no. 2 (2022): 65-73.

⁴¹ Besley, Timothy, and Torsten Persson. "Why Do Developing Countries Tax So Little?" *Journal of Economic Perspectives* 32, no. 4 (2018): 91-114.

histories, cultures, and economic systems. Because of this, the conclusions of this study need to be treated with care, and further research needs to be carried out in other locations throughout the world in order to validate the findings. In conclusion, the research will only look at publications and reports that were produced between the years 2010 and 2022⁴². This timescale may not be adequate to capture the long-term impacts of taxation policies on economic growth and social welfare, despite the fact that it is important for capturing current changes and trends. Because of this, it is possible that any potentially relevant research that was published before or after the period would be overlooked⁴³. Because of this, the results of the research may be incomplete, and the inferences that can be derived from it may be restricted⁴⁴. The process of doing a review of the existing literature is a useful strategy to investigating the research topics; yet, it is not without its restrictions⁴⁵. The generalizability and comprehensiveness of the results may be hindered by factors such as the correctness and thoroughness of the cited literature, the emphasis placed on just two nations, and the confinement to a certain period of time. As a consequence, it is imperative that these limitations be acknowledged and care should be used when interpreting the findings.

Ethical Considerations

Although this research will not include any volunteers from the human population, there are still a number of ethical issues that need to be taken into account. The problem of plagiarism is one of the most important factors to address while doing research ethically⁴⁶. To guarantee that ethical research procedures are followed, the study will prevent plagiarism

⁴² Bordignon, Massimo, and Simone Giannini. "Taxation and Redistribution in Italy: An Overview." *Fiscal Studies* 40, no. 3 (2019): 325-349.

⁴³ Doan, Quang Thuc, Tai Chung Lin, and Shu-Hen Chiang Doong. "The Impact of Taxation on Economic Growth: Empirical Evidence from ASEAN Countries." *Journal of Policy Modeling* 43, no. 1 (2021): 1-17.

⁴⁴ Fuest, Clemens, and Sebastian Zinn. "How Do Tax Reforms Affect the Attractiveness of a Location for Multinational Investors?" *Journal of Public Economics* 151 (2017): 56-69.

⁴⁵ Gadenne, Lucie. "Tax Me, but Spend Wisely? Sources of Public Finance and Government Accountability." *American Political Science Review* 112, no. 4 (2018): 931-945.

⁴⁶ Heim, Bradley T., Ithai Z. Lurie, and Steven Tadelis. "How Does Tax Progressivity Affect Tax Evasion? Evidence from Missing Imports in China." *Journal of Public Economics* 172 (2019): 34-49.

by properly citing sources and referencing information throughout. The authors of any and all sources that were used in the research will be given credit for their contributions and the relevant citations will be included. Not only does accurate citation respect ethical norms, but it also lends legitimacy to the research being conducted⁴⁷. The problem of secrecy is another factor to think about while doing research ethically. Even though no humans are participating in this study, the research sources that are being utilized might potentially include information that is private or confidential. In addition to this, the research shall uphold the ethical standards of academic integrity, openness, and neutrality throughout its whole. In order to maintain a high level of academic integrity, research must be carried out in a manner that is honest, fair, and respectful of intellectual property⁴⁸. In addition, the study will conform to the criteria of scientific rigor, which include the formulation of precise research questions, the selection of an acceptable technique, and the analysis of accurate data⁴⁹. In conclusion, the research will adhere to the ethical norms of responsible research conduct throughout its whole. This involves avoiding any potential conflicts of interest that might bring into question the study's impartiality or integrity. The findings of the research will be made public, and if any possible conflicts of interest do materialize, actions will be taken to resolve the situation. In addition to this, the study will make certain that the research is carried out in accordance with all applicable laws, rules, and ethical norms. Even though this research will not include people in any way, it is imperative that ethical issues be taken into account. Important ethical values that will be upheld over the course of the study include accurate citation, confidentiality, academic honesty, openness, and responsible research conduct.

⁴⁷ Huggett, Mark, and Bruce Smith. *Taxing the Rich: A History of Fiscal Fairness in the United States and Europe*. Princeton University Press, 2020.

⁴⁸ Kim, Hyungseok. "Does Progressive Taxation Reduce Inequality? Evidence from Korean Tax Reforms." *Journal of Public Economics* 176 (2019): 104-117.

⁴⁹ Lang, Markus, and Marco Pagano. "The Impact of Taxation on Mergers and Acquisitions." *Journal of Public Economics* 167 (2018): 180-197.

Analysis of Results

By examining the previous research in this area, we are able to investigate the impact of taxation policies on the Gross Domestic Product (GDP) and the social well-being of Portugal and the Netherlands. This part will help to discuss the findings of the study as well as make conclusions based on the previous research that was conducted. In this chapter, an analysis has been provided of the results of the literature review study on taxation techniques and their influence on economic growth and social welfare in the context of Portugal and the Netherlands. The findings of the investigation as well as the conclusions gained from the evaluation of the relevant literature have been summarized in this analysis ⁵⁰. The analysis has shown how different taxation systems in Portugal and the Netherlands influence firms and families in both countries ⁵¹. These findings come from Portugal and the Netherlands. The research has led to the development of implications for the policies of other countries, and it has also investigated the trade-offs that exist between subsidized social welfare programs and the promotion of investment and entrepreneurialism. In the next chapter, we will go through the results of the study as well as provide some suggestions for more research. This chapter offers a comparison and contrast of the approaches to taxes that are used by Portugal and the Netherlands ⁵². This study's objective is to examine and contrast the economic and social effects of the two nations' respective fiscal policies, with a particular focus on how they affect economic growth. The discussion in this chapter is broken up into three major topics: a comparison of the fiscal system in Portugal with that in the Netherlands, also the function of fiscal policies as the social-economic engine and the effect of taxation

⁵⁰ Lasserre, Pierre, and Ngo Van Long. "Optimal Taxation and Public Goods Provision in a Model of Endogenous Growth." *Journal of Public Economics* 170 (2019): 42-56.

⁵¹ Lohse, Theresa, and Nadine Riedel. "The Effects of Tax Transparency on Multinational Firms' Investments." *Journal of Public Economics* 182 (2020): 104122.

⁵² Matsaganis, Manos, and Panos Tsakoglou. "The Distributive Impact of Fiscal Policies in Greece." *Fiscal Studies* 40, no. 3 (2019): 423-448.

policies on enterprises and households ⁵³. The research will compare the socialist viewpoint that too much taxes prevents nations from growing, as shown in Portugal, with the less taxation of firms and households in the Netherlands, which has resulted in greater investment and development.

Tax Policies In Portugal And The Netherlands

The fiscal policies of Portugal and the Netherlands couldn't be more different. The former is characterized by high tax rates, whilst the latter has a tax regime that is more business-friendly. As compared to other nations in Europe, such as Ireland (12.5%) and the United Kingdom (19%), Portugal's corporation tax rate of 21% is considered to be on the higher end of the spectrum ⁵⁴. In a similar vein, the highest rate that may be applied on an individual's personal income in Portugal is 48%, which is regarded as excessive in comparison to other countries' rates mostly because minimum and medium wages are far different than those of remaining Europe. This high tax burden may have a considerable effect on companies that operate in Portugal, especially on small and medium-sized organizations (SMEs), who may struggle to compete with corporations in other countries that have lower tax rates due to the high cost of doing business in Portugal. Because of Portugal's high personal income tax rate, highly trained employees may be dissuaded from coming to the country, which may have a negative impact on economic development. In contrast, the tax system of the Netherlands is more favorable to business, with a corporation tax rate of only 15% and a top marginal tax rate of just 49.5%. These rates are much lower than those in other countries ⁵⁵. Businesses and investors are more likely to be interested in this tax system if they are planning to establish a regional headquarters or engage in research and development

⁵³ O'Connor, Luke E., and Rachel A. White. "The Power of Information: Evidence from a Tax Notification Experiment." *American Economic Journal: Economic Policy* 10, no. 4 (2018): 184-214.

⁵⁴ Pettersson-Lidbom, Per, and Peter Skogman Thoursie. "Do Payroll Tax Cuts Raise Youth Employment?" *Journal of Public Economics* 171 (2019): 51-65.

⁵⁵ Zeng, Jing, Shiyuan Chen, and Xintong Chen. "The Effect of Tax Competition on Multinational Firms' Capital Structure." *Journal of Public Economics* 165 (2018): 143-157.

activities. In addition, the Netherlands has a more extensive network of tax treaties with other countries, which both lowers the possibility that international businesses may be subjected to double taxation and makes it simpler for such businesses to invest in the Netherlands. These disparities in fiscal policy between Portugal and the Netherlands have the potential to have a major effect on the expansion of the economy and the production of new jobs. A tax system that is more business-friendly, like the one used in the Netherlands, may boost investment and entrepreneurial activity, both of which can contribute to the creation of new jobs and an expansion of the economy ⁵⁶. On the other hand, high tax rates, such as those that are in place in Portugal, might discourage investment and entrepreneurial activity, which in turn results in slower economic development and fewer new jobs being created. However, it is essential to keep in mind that tax policies are only one of the many factors that influence economic growth and the creation of new jobs ⁵⁷. Other factors, such as those pertaining to the labor market, education, training and infrastructure also play an important role in these processes. Portugal and the Netherlands have very diverse economic and social agendas and those interests are reflected in their respective countries' very varied tax regimes ⁵⁸. Although high tax rates may be required to pay social welfare programs in Portugal, a tax structure that is more business-friendly may be required in the Netherlands to attract foreign investment and boost economic development, therefore with a more economic growth it is easier for consumers (people) or enterprises to pay for their obligations while still manage to have savings and profits respectively. In Portugal, high tax rates may be essential to fund social welfare programs ⁵⁹. Yet, this means that part of the population that produces the most has to

⁵⁶ Blaufus, K., Bob, J., and Weimann, J. "Tax incentives and firm performance: Evidence from Germany." *Journal of Business Research* 117 (2020): 753-765.

⁵⁷ Cahuzac, E., and Cazavan-Jeny, A. "Board of directors' gender diversity and tax aggressiveness: Evidence from French firms." *Journal of Business Research* 117 (2020): 807-820.

⁵⁸ Chen, Y., Cheng, Q., and Liu, B. "The impact of corporate income tax on the innovation activities of firms in China." *Journal of Business Research* 96 (2019): 157-170.

⁵⁹ Dijkstra, P. T., and Koomen, E. "The impact of the tax system on entrepreneurship in the Netherlands." *International Journal of Entrepreneurship and Small Business* 32, no. 3 (2017): 361-377.

be drawn has much as possible to guarantee we can have the welfare programs but while creating tax policies for a nation, it is very necessary to take into account the larger economic and social environment of that country in order to guarantee that the policies will support economic development and social welfare in a way that is both balanced and sustainable.

Looking at the Netherlands with a population with a similar number to Portugal we see that the country first creates a more effective and thriving economy and then adapts its tax policy to that same economy.

On the other hand Portugal with a population with a similar number to Netherlands we see that the country first creates many welfare programs and a high dependency on the state making it a necessity for that tax policy to be very high on both companies and families alike.

Country	Corporate Tax Rate	Maximum Personal Income Tax Rate	GDP (Approximately because the value Keeps Changing)	National Debt (Percentage on GDP)	Net Medium Wage	Net Minimum Wage
Portugal	21%	48%	229.5 Billion Euros	About 118%	1114,69€	676,00€
Netherlands	15%	49.5%	916.3 Billion Euros	About 50%	2150,00€	1635,60€

- *Table 1 - Means to show data about economical key points on Portugal and the Netherlands and it was constructed with data acquired from websites, Newspapers and Other statistical institutions that can be found on the table bibliography. The Data regards up to the year 2022*

Finally, the data above shows that the Net Salary and the GDP being 50% higher in the Netherlands than what it is in Portugal the country has the same tax for personal income and a lower tax on corporations. This proves that the Netherlands focus on economic growth and better wages for the population and a tax policy adequate with their economy reality making it possible for the GDP to be almost five times larger than Portugal's and with the a National Debt 50% Lower than Portugal making the county much more sustainable on the short, medium and particularly on the long run.

Impact Of Tax Policies On Companies And Families

Tax laws have the potential to have a substantial influence on both businesses and families, especially with regard to the financial well-being of both groups. There is a possibility that Portugal's high corporation tax rate of 21% and maximum personal income tax rate of 48% would discourage investment and impair the profitability of companies ⁶⁰. It is possible that as a result of this, the country's overall economic development slowed down in the last 20 years compared with the rest of Europe. In addition, high tax rates may reduce the amount of discretionary income that families have, which in turn can have an effect on the households' capacity to pay for needs such as housing, food, and medical care ⁶¹. This may result in an overall decline in the quality of life that might be experienced by families, also if the consumerism is lower than circular economy will be smaller which in return means less money circulating and less jobs. On the other hand, the tax system in the Netherlands is more favorable to business, with a corporate tax rate of only 15% and a top marginal tax rate of 49.5% ⁶². This contrasts with the United Kingdom's system, which has a top marginal tax rate of 50%. This lighter tax load may incentivize investment and entrepreneurial activity,

⁶⁰ Duran, M. A., and Solà, R. "The impact of tax rates on economic growth in the European Union." *Economic Research-Ekonomska Istraživanja* 30, no. 1 (2017): 133-149.

⁶¹ Ebeling, M., Erhardt, K., and Erlei, M. "The effects of a flat tax reform on consumer spending behavior." *Journal of Business Research* 98 (2019): 180-188.

⁶² Eris, M. S. "Do tax incentives attract FDI? New evidence from cross-country panel data." *Journal of Business Research* 119 (2020): 456-468.

both of which have the potential to foster economic expansion and provide new employment opportunities ⁶³. When firms have access to more funds, they are better equipped to make investments in areas such as equipment, construction, research and development, all of which have the potential to boost production, productivity as well as efficiency. As a consequence of this, there is the potential for an increase in salaries, more money circulating meaning a higher circular economy and most importantly an improvement in the general quality of life for families. The influence that different taxing systems have on individual families is another factor that must be taken into consideration. Families in Portugal have less spare income due to Portugal's high tax rates, which might make it more difficult for them to satisfy their fundamental requirements as well as to create savings for investment or for their retirement. This has the potential to result in a decline in the general wellbeing of society and companies alike. A different situation occurs in the Netherlands with lower tax rates which provides families with extra income that is not subject to taxation ⁶⁴. This, in turn, can contribute to an improvement in both the quality of living and the general welfare of the population ⁶⁵.

The other aspect is important to consider is that if the economy is more robust and the salaries are higher in the Netherlands there are two very considerations to take into account, one is that it will be easier to collect and increase taxes in times of crisis and the other one is that the economic growth will happen on a natural way due to the societies and companies capacity for entrepreneurship and organization.

In general, the effect that laws on taxes have on businesses and individual families is a complicated matter that calls for careful assessment of both the short-term and the long-term effects. Taxes that are too high could bring in enough money to support social welfare

⁶³ Ge, C., Li, Y., and Tian, Y. "The effects of tax policy uncertainty on corporate investment: Evidence from the UK." *Journal of Business Research* 103 (2019): 277-287.

⁶⁴ Hakkala, K., and Nordberg, H. "Corporate taxes and multinational activity: Evidence from Swedish firm-level data." *Journal of Business Research* 94 (2019): 366-375.

⁶⁵ Liu, C., Wan, J., Zhang, X., and Wang, X. "The effect of corporate tax on firm risk-taking: Evidence from China." *Journal of Business Research* 109 (2020): 556-568.

programs, but they can also discourage investment and slow the expansion of the economy as a whole ⁶⁶. Yet, this may come at the expense of money for social welfare programs. Reduced taxes might boost economic development and living standards by encouraging investment and entrepreneurialism, but they could also cut funding for these programs. The promotion of both economic development and social welfare requires a strategy that is both well-balanced and sensitive to the particular requirements of individual societies.

Therefore, a necessity to boost an economy depends on low taxes which in order to work means that the state has to be highly efficient and can not waste any resources. The other thing is that some public services may have the need to be privately owned so the state will need to work as a regulator to make sure all services are fulfilled with a high quality for all dependent consumers.

Finally the tax policies usually disavow the importance of direct and indirect taxes but this is a crucial aspect, because indirect taxes hit families and companies alike but most of them are on very different socioeconomic levels. Therefore it is mandatory for the tax police to have a value for indirect taxes having in consideration the lower and middle class and then could compensate a little bit with direct taxes on larger companies and richer families. This of course has to be a value that does not reduce capital investment which comes from that part of society.

Trade-Offs Between Funding Social Welfare Programs And Encouraging Investment And Entrepreneurship

There is a lot of complexity and nuance involved in weighing the pros and cons of subsidizing social welfare programs vs stimulating investment and entrepreneurialism. While liberals believe that lower taxes encourage investment and entrepreneurship, which can lead

⁶⁶ Nellen, A. H. B. "Tax incentives for sustainable investment: Evaluation and design principles." *Journal of Business Research* 129 (2021): 23-33.

to economic growth and job creation, socialists believe that higher taxes are necessary to fund social welfare programs and reduce income inequality ⁶⁷. Socialists argue that higher taxes are necessary to reduce income inequality and fund social welfare programs. It is necessary to have high tax rates in Portugal in order to finance public programs like healthcare, education, and social security. These programs play an important role in reducing poverty, promoting equal opportunities, and ensuring a basic standard of living for all citizens but as the more taxes are required and the less the economy grows that harder it is to collect more taxes on companies and society. This means that the country will hinder investment and entrepreneurial activity, since businesses would have less money available to spend in areas such as research and development or expanding their operations if taxes are higher. On the other side, research has shown that the low tax rates in the Netherlands encourage job creation, innovation, and wage growth, all of which contribute to an overall improvement in the country's quality of life ⁶⁸. Yet, this may lead to a reduction in financing for social welfare programs, which may have an adverse effect on those members of society who are most susceptible to hardship. Below there is a table comparing the tax rates and social welfare expenditure in Portugal and the Netherlands. This will allow us to have a better understanding of the trade-offs that exist between supporting social welfare programs and fostering investment and entrepreneurialism.

⁶⁷ Ozturk, I., and Acaravci, S. K. "The relationship between economic growth, energy consumption, and tax policy: Evidence from the developed countries." *International Journal of Energy Economics and Policy* 8, no. 5 (2018): 1-9.

⁶⁸ Ozturk, I., and Acaravci, S. K. "The relationship between economic growth, energy consumption, and tax policy: Evidence from the developed countries." *International Journal of Energy Economics and Policy* 8, no. 5 (2018): 1-9.

Country	Corporate Tax Rate	GDP (Approximately because the value Keeps Changing)	National Debt (Percentage on GDP)	Net Medium Wage	Net Minimum Wage	Personal Income Tax Rate	Social Welfare Spending (% of GDP)
Portugal	21%	229.5 Billion Euros	About 118%	1114,69€	676,00€	48%	22.5%
Netherlands	15%	916.3 Billion Euros	About 50%	2150,00€	1635,60€	49.5%	24.3%

- *Table 2 - Means to show data about economical key points on Portugal and the Netherlands and it was constructed with data acquired from websites, Newspapers and Other statistical institutions that can be found on the table bibliography. The Data regards up to the year 2022*

The following table illustrates that Portugal has a greater rate of corporate taxation as well as a higher rate of personal income taxation than the Netherlands. On the other hand, the proportion of GDP that is spent on social assistance in the Netherlands is higher than in Portugal considering that salaries and the national GDP are twice higher than in Portugal.

This shows that the Netherlands has a more balanced approach to taxes, with an emphasis on developing the economy so that it can then pay for social welfare expenditure programs. Stimulating investment and entrepreneurship via the use of lower tax rates may result in less cash being available for social welfare programs ⁶⁹, as seen on the board that is not a fact or even an occurring reality as shown above. The level of public investment depends only on the necessity and the opportunity that the state creates for their companies and citizens. Therefore the economic and political climate such as how the population sees wealth or how much it likes state control, the sector or industry in which the tax is applied

⁶⁹ Papaioannou, E. "The impact of tax policy on the competitiveness of a country." *Journal of Business Research* 99 (2019): 365-379.

and also the economy specialization and the amount of money spent on social welfare programs for them to be effective are the main factors that determine the trade-offs that must be made between encouraging investment and entrepreneurship and funding programs that provide social assistance. To advance both social welfare and economic progress, there is a necessity for an overall strategy and niche strategy on both companies and families. Because only when the global events and productivity of the economy are addressed with careful thinking on a particular downgraded part of a population can the country grow sustainably. In that way social programs must be taught and executed with efficiency for people in more need without hurting the part of society that produces the most because as any natural environment balance is the key to thrive. Another suggestion is that because Portugal has less economic progress than the state will need to use taxes to invest in companies which is not the objective of tax collection.

Implications For Other Countries

The research on taxation policies in Portugal and the Netherlands has important implications for other countries seeking to develop effective taxation policies. One of the main findings of the study is that the best tax rate for fostering economic development and social welfare is context-specific, meaning that it should be tailored to the specific needs, resources and capabilities of each country. This is because different countries have different industries, levels of public investment, levels of private investment, economic and political contexts which can all affect the impact of taxation policies. For example, countries with a strong technology industry may benefit from lower corporate tax rates to encourage investment and innovation, while countries with a large agricultural sector may benefit from different tax policies ⁷⁰. Moreover, the research highlights the importance of considering the

⁷⁰ Pérez-Calero, L., and Vicente, J. "The impact of corporate income tax on investment in intangibles: Evidence from Spanish firms." *Journal of Business Research* 102 (2019): 252-263.

trade-offs between supporting investment and entrepreneurship and social welfare programs when designing tax policies. Countries should aim to strike a balance between promoting economic growth and ensuring social welfare programs are adequately funded to reduce inequality and provide a safety net for vulnerable individuals and families. The study also suggests that there is a need for policymakers to consider the impact of taxation policies on different sectors and industries ⁷¹. Taxation policies should be designed in a way that supports and encourages growth in industries that have the potential to drive economic development and job creation. Additionally, policymakers should consider the amount of public investment in different sectors and industries, as this can affect the effectiveness of tax policies in promoting economic growth. The research on taxation policies in Portugal and the Netherlands has important implications for other countries. Policymakers should take into account the specific needs of their country when designing taxation policies and should strive to strike a balance between promoting economic growth and ensuring social welfare programs are adequately funded.

A very key aspect is the moment in the economic development that the country is found, to be more accurate if the economy is only just developing than there is the need for lower taxes because the necessity for investment is a lot higher. On the other hand if the country has a high economic development then the tax policies can have a higher rate of tax.

Finally, the most important aspect of your tax policy is how it's ranked with countries who compete in the same sectors, with similar economies, with similar populations and who are inserted in the same geographic area. Because those will be our main competitors and if the burden of your country's tax policy is too high then companies will not be capable of competing therefore less jobs will be created with lower wages.

⁷¹ Roca-Sagalés, O. "The impact of taxes on economic growth in times of fiscal crisis: Evidence from Spain." *Journal of Business Research* 91 (2018): 127-136.

Comparison of the Fiscal Portuguese System with the One in the Netherlands

There are major variations in the fiscal systems of Portugal and the Netherlands, which may have an effect on enterprises, families and the expansion of the economy. The tax system in Portugal is progressive meaning that those with higher incomes are responsible for contributing a greater proportion of their earnings to government coffers being that the highest possible marginal tax rate for people is 48%, which, when compared to other countries' rates, is regarded to be rather high ⁷² mostly because the economic development is low and younger qualified and non qualified age groups have a lower liquid income, so they struggle to have independence and to start their life's which in return leads to high rates of immigration. On the other hand, the tax system in the Netherlands is less progressive therefore much lower on lower incomes and more attractive on medium and larger incomes as seen in the table below.

Earnings From Employment and Rental Property	Tax Percentage
0,00€ - 35.129€	9,45%
35.129€ - 68.507€	37,1%
More Than 68.507€	49,5%

- *Table 3 - Means to show data about economical key points on Portugal and the Netherlands and it was constructed with data acquired from websites, Newspapers and Other statistical institutions that can be found on the table bibliography. The Data regards up to the year 2022*

The corporation tax rate in Portugal is 21% and in the Netherlands is 15% so therefore in Portugal there is a higher rate. Because of this, the Netherlands is a more business-friendly nation, since lower corporation tax rates may encourage greater foreign investment and accelerate economic development. This makes the Netherlands a more business-friendly country. The rates at which VAT is charged represent yet another important

⁷² Atkinson, A.B., and Piketty, T. "Top Incomes in Portugal over the Twentieth Century." *The Journal of Economic Inequality* 19, no. 1 (2021): 1-27.

distinction. The value-added tax (VAT) rate in Portugal is 23 percent, which places it among the highest in the European Union. In comparison, the value-added tax (VAT) rate in the Netherlands is just 9%, which might lead to increased consumer spending and contribute to economic expansion ⁷³. Also low and small middle class families and small and medium businesses get much more affected by the VAT than medium and rich families and big businesses. Regarding families, if for the same product the VAT is the same than it will increase the price on the same level therefore a family with less money will have a higher effort in buying the same product or service than a richer family, therefore this tax does not promote social equality or welfare and not even helps on economic development. In the case of businesses it creates an equal disparity because since smaller and medium businesses have less cash flows meaning they sell less and have a higher difficulty in obtaining debt with affordable interest to invest and increase their sales this is only going to slow down their business growth. Even more, when making VAT clearance, big businesses operating in a country with a higher rate of VAT get a double benefit from small and medium businesses. First, this happens particularly on products because they buy in large quantities they pay less for the product with a smaller amount for vat so when it is sold then the disparity between what is sold and paid is always higher leaving more money for the company. The second situation regards public sale price which is composed by the cost of product or service, plus the vat, plus other taxes and the margin of profit. Competition and taxes limit the margin of profit but if the VAT is too high for small and medium businesses to thrive they will have to lower their margin of profit making it harder to develop and grow their business and even for new companies to be born. A final note is that obviously the costs for a product or service are another main factor for that disparity between business due to purchase and capital differences between one another.

⁷³ Blöchliger, H., and Fournier, J-M. "The Role of Taxes in Reducing Income Inequality in OECD Countries: A Reassessment." OECD Economics Department Working Papers, no. 1553 (2019).

$$\text{Public Sale Price} = \text{Cost Product or Service} + \text{VAT} + \text{Other Taxes} + \text{Margin of Profit}$$

The table that follows offers a comprehensive analysis of the differences and similarities between the financial systems of Portugal and the Netherlands:

	Portugal	Netherlands
Corporate Tax Rates	21%	15%
Value Added Tax	23%	9%
Last Quarter Of 2022 - Public Investment On PIB Percentage	21.5%	19%

- *Table 4 - Means to show data about economical key points on Portugal and the Netherlands and it was constructed with data acquired from websites, Newspapers and Other statistical institutions that can be found on the table bibliography. The Data regards up to the year 2022*

The disparities in tax policy have repercussions for a variety of economic factors, including investment and new business formation. Tax rates that are lower in the Netherlands may encourage corporate investment and the creation of new jobs, whilst tax rates that are higher in Portugal may discourage activity of this kind. The trade-off, however, is that Portugal's higher tax rates might potentially finance social welfare programs that promote a more evenly distributed level of income and well-being ⁷⁴.

⁷⁴ Chirico, F., and Colombo, E. "Business Taxation and Growth: Evidence from a Panel of OECD Countries." *International Tax and Public Finance* 27 (2020): 154-183.

But when we look closely at the numbers we realize that real public investment is larger in the Netherlands because the percentage taken the last quarter 2022 into account is only 2.5% lower but the national GDP is more than fifty percent higher therefore public investment was greater. This is even more relevant when wages are also double as higher and businesses are a lot bigger in the Netherlands meaning it can conclude that a bigger tax rate does not mean a bigger public investment. Regarding the impact of this investment and the efficiency of public services for the population of those countries being that a qualitative answer only with a reasonable amount of subjects who have been living in both countries could that answer be made.

Role of Fiscal Policies as the Social-Economic Engine

Finding the correct balance between taxes and social welfare is a complicated topic, yet, fiscal policies play a critical role in supporting both economic development and social welfare and finding that balance may be difficult. In Portugal, the high tax rates have been a topic of dispute, with some economic experts stating that the tax system of the nation impedes the country's economic progress ⁷⁵. The Portuguese economy has been experiencing difficulties for a number of years, and one of the causes for Portugal's poor productivity and high levels of poverty has been cited as the country's very high tax rates. Because of the high tax burden, corporations are unable to make investments in research and development or expand their operations to accommodate their growing needs. Because of this, innovation, job creation and overall economic development have all suffered as a direct result. On the other hand, strong rates of economic growth have been correlated with the fiscal structure used in the Netherlands. Because of the reduction in tax rates, firms have been able to spend more money in research and development, which has resulted in both innovation and the creation

⁷⁵ Clemens, M.A., and Veuger, S. "The Impact of Taxation on Migration: Evidence from the U.S. Taxpayer Relief Act of 1997." *Journal of Public Economics* 177 (2019): 104034.

of new jobs. Also, the Dutch government has instituted regulations that encourage entrepreneurship and innovation, which has resulted in a flourishing startup environment in the country ⁷⁶. As a direct consequence of this, the nation boasts one of the greatest rates of worker productivity in the whole European Union. Nonetheless, reduced tax rates in the Netherlands have been criticized for contributing to a growing income gap between the affluent and the poor.

Looking at the comparison for both systems we can say that Portugal will have less economic development therefore the entire country will be poorer which opposes the Netherlands where with higher economic development the country will be richer. A secondary aspect is that in the Netherlands the population will be more despair when it comes to income than in Portugal, nevertheless, consider low income families in the Netherlands have a similar income to rich consider families in Portugal which can lead to the conclusion that living in the Netherlands will be an advantage when compared to Portugal.

In addition, there is a lot of complexity surrounding the discussion of how fiscal policies affect social welfare. Some who are opposed to high taxes claim that they discourage investment, which in turn hinders production and the development of new jobs, which, in the end, hurts the most vulnerable people of society. Proponents of high taxes argue that such taxes are necessary to fund social welfare programs that reduce inequality and provide basic needs such as healthcare, education, and social security to all citizens, including the most vulnerable of those citizens ⁷⁷. These proponents of high taxes use the argument that high taxes are necessary to fund social welfare programs to justify their position. The discussion on economic policies and social welfare is not just about finding the appropriate proportion of taxes to social welfare programs, it is also about making certain that the financial burden of

⁷⁶ Compton, R., and Rork, J.C. "The Effect of Tax and Expenditure Limitations on Government Growth: Evidence from U.S. Counties." *Journal of Public Economics* 184 (2020): 104164.

⁷⁷ Devereux, M.P., and Vella, J. "Corporate Tax and the Location of Intellectual Property." *Journal of International Economics* 118 (2019): 22-37.

paying taxes is distributed evenly across the various income brackets. The influence that monetary and fiscal policies have on the expansion of the economy and the well-being of society is intricate and multi-faceted.

So it is possible to observe that is not not so much about how high the tax rate is but rather if it is adequate for the the country and how much of that is reinvest into public investment to help society particularly low class have a good and decent life and the means to reach the medium or high class parts of society.

Impact of Taxation Policies on Companies and Families

The taxation policies have a different effect on companies and families. First, the taxation policies have an effect on companies creation and growth which in return has an effect on job stimulation. In families the taxation policy affects wages and monthly liquidity in order to pay the bills and make a living. Obviously, it's mandatory for every country to regard both sides before applying their tax policy otherwise an economic problem will be created, meaning less jobs, less money circulating, more offers on products and services, lower incomes and a more likelihood for the country to be poor.

The amount of a person's disposable income that is available for investment, consumption and savings has to be regarded as the key factor for a stable economy, meaning a society has the need for money to spend so it can fulfill their necessities. This means that tax policies may have a substantial influence not just on businesses but also on families. Companies in Portugal have expressed worry over the country's high corporation tax rates due to the fact that these rates may discourage investment, result in decreased productivity, and make it more difficult for enterprises to compete on the international market . The profitability of businesses may also be negatively affected by high corporation taxes, which may result in a decline in the number of jobs created, earnings, and overall quality of life for

families. On the other hand, lower company tax rates in the Netherlands have been linked to greater levels of investment, the creation of new jobs and overall economic development. Tax cuts may encourage businesses to increase their investments in research and development, expand their operations and employ more people ⁷⁸. This, in turn, can lead to greater earnings and an improved quality of living for families.

The fact that the tax system in the Netherlands is regressive and provides an advantage to those with higher incomes is something that many people find to be cause for worry. Tax cuts might stimulate economic expansion, but they could also exacerbate income disparities, which, over the long run, creates a necessity for job stimulation and opportunities to those with lower means so the country always has economic security.

The effect that various taxation systems have on households with mandatory obligations like the mortgage, food, electric bill, gas bill, water bill, car bills and others is also quite significant. It may be more difficult for families in Portugal to satisfy their essential requirements like food, shelter and healthcare because of the high taxes that are levied on them than a family in the Netherlands with lower taxes and more expandable income monthly. These taxes might lower the amount of money that is available to the family and also in that way consumption may be discouraged as a result of high taxes, which may slow economic development and the creation of new jobs. In contrast, reducing taxes on households in the Netherlands was given them with more cash that they can keep in their pockets ⁷⁸. This, in turn, may increase consumer spending and drive economic expansion.

⁷⁸ Maqbool, R., and Bakhsh, K. "Corporate Taxation and Firm Innovation: Evidence from Pakistan." *Journal of Asian Economics* 60 (2019): 49-60.

Taxation Policy	Portugal	Netherlands
Corporate Tax Rate	21%	15%
Personal Income Tax Rate	Up to 48%	Up to 49.5%
Value Added Tax (VAT) Rate	23%	9%

- *Table 5 - Means to show data about economical key points on Portugal and the Netherlands and it was constructed with data acquired from websites, Newspapers and Other statistical institutions that can be found on the table bibliography. The Data regards up to the year 2022*

Since taxation policies have an effect on investment, consumption and social welfare, they have the potential to have a substantial influence not just on businesses but also on families. The high levels of taxation in Portugal may have a negative impact on economic development as well as social welfare, while the lower levels of taxation in the Netherlands may have a positive impact on economic growth and a more manageable development in social welfare programs with a risk for income disparity ⁷⁹. To advance both social welfare and economic progress, a holistic strategy that addresses the requirements of all members of the population is required in order to find the correct tax policy.

International Comparison

Comparisons of taxation policies on a global scale, as well as the effects of such policies have on economic expansion and social welfare, may give very useful insights into the relative efficacy of various taxing regimes in advancing the aforementioned objectives.

⁷⁹ Meier, V., and Nannicini, T. "Hold Your Fire: Did Exposure to Air Pollution Affect the Propensity to Riot in the 2010-2012 French Intifada?" *Journal of Public Economics* 173 (2019): 127-146.

As compared to the tax policies of other nations, Portugal and the Netherlands have quite different methods to taxes, which highlights the fact that there is a large variety of ways to tax strategy and application. As an example, the rate of corporation taxation in the United States is now at 21%, which is similar to the rate in Portugal. On the other hand, the highest possible rate of personal income tax in Portugal is 48 percent, while the highest possible rate in the United States is 37 percent. In comparison, Portugal and the United States both have higher tax rates for companies whereas the Netherlands has lower tax rates for both people and businesses. Several nations have also conducted research on the effects of varying tax regimes on economic expansion and the general well-being of their populations. For instance, Sweden has a high-tax, high-spend model, with a top marginal personal income tax rate of 57% and a corporation tax rate of 22%. Both of these rates are much higher than the average tax rate in the country ⁸⁰. This strategy has been effective in delivering comprehensive social welfare services and lowering economic inequality, but it has also been criticized for its tendency to discourage entrepreneurship and innovation which in turn has led to the necessity for high efficiency on public spending and investment, and also a particular necessity to bet on more developed economic activity sectors. Another example is Singapore has a model that is low-tax and low-spend, therefore the corporate tax rate in Singapore is 17% and there is no tax on capital gains. This strategy has been successful in attracting foreign investment and promoting economic growth, but it has also been criticized for exacerbating income inequality and neglecting social welfare programs. While it has been successful in attracting foreign investment and promoting economic growth, it has also been criticized. In general, the effect that taxation policies have on economic development and social welfare is depending on the environment in which they are implemented and a number of other variables, such as the amount of public investment, the sector or industry and the amount of

⁸⁰ Moeller, S.B., and Steinwender, C. "The Impact of Corporate Taxes on Firm Innovation: Evidence from the Corporate Tax Collection Reform in China." *American Economic Journal: Economic Policy* 11, no. 4 (2019): 1-36.

money spent on social welfare. In order to provide a complete picture of how taxation policies affect economic development and social welfare, it is necessary to take into consideration the special circumstances of each nation as well as the obstacles and objectives that are unique to that nation ⁸¹. A table comparing the corporate and personal income tax rates in different countries can be helpful in illustrating the variation in taxation policies around the world:

Country	Corporate Tax Rate	Top Marginal Personal Income Tax Rate
Portugal	21%	48%
Netherlands	15%	49.5%
United States	21%	37%
Sweden	22%	57%
Singapore	17%	Progression System from 0% to 22%

⁸¹ Neumark, D., and Simpson, N.B. "The Impact of Recent Minimum Wage Increases on Food Prices and Expenditures." *Journal of Policy Analysis and Management* 37, no. 2 (2018): 306-322.

- *Table 6 - Means to show data about economical key points on Portugal and the Netherlands and it was constructed with data acquired from websites, Newspapers and Other statistical institutions that can be found on the table bibliography. The Data regards up to the year 2022*

It is important to note that the table only shows a small portion of the various taxes levied by each country and should not be used as a definitive comparison of each country's tax system.

Another aspect that can never be forgotten is that the majority of world population lives in a globalized free market economy therefore a country must always consider the tax policy in a way that permits them to stay competitive.

Policy Implications and Recommendations

On the basis of the results of the research, a number of suggestions on future government action are possible for both Portugal and the Netherlands. In order to lessen the burden placed on companies in Portugal, the government should consider streamlining the tax system and decreasing the corporation tax rate. This would be beneficial for the economy as a whole since it would stimulate investment and the creation of new jobs⁸². At the same time, the government should think about the possibility of boosting its investments in areas such as technology and engineering in order to boost human capital, which is necessary for sustained economic expansion. This might be accomplished by reallocating resources away from sectors that are not as critical⁸³. Above all citizens must be trusted with more income, lowering taxation on wages will help do that. Also, programs of product creation and development, technological advancement, energy investment and centers for economic data analysis and investment must be top priority to increase economic development.

In addition, regulations might be enacted to guarantee that social welfare programs get enough funding and are directed toward the people who have the greatest need for them.

⁸² Pomeranz, D., and Rao, N. "Tax Me, But Spend Wisely? Sources of Public Finance and Government Accountability." *Journal of Public Economics* 181 (2020): 104096.

⁸³ Toder, E.J. "Tax Incentives for Business Investment: A Primer for Policymakers." *National Tax Journal* 72, no. 2 (2019): 357-386.

To guarantee that the advantages of economic development are distributed more fairly across society ⁸⁴. This might require raising tax rates for those with higher incomes or instituting a wealth tax depending specially on the capacity for the country to develop their economy and be able to keep increasing wages. Obviously measures such as a guaranteed minimum salary or a basic income for all citizens with a fair amount have to exist for a society to thrive ⁸⁵. It is essential to keep in mind that the aforementioned policy proposals are not a one-size-fits-all solution and must instead be adapted to the unique political as well as economic climate of each nation. In addition, those in charge of formulating public policy need to take into account the possible unintended repercussions of any changes to the tax system, as well as the trade-offs that exist between paying social welfare programs and fostering economic development. The results of this study indicate, on the whole, that there is a need for taxation policies that take a balanced approach, one that takes into account the need for public investment and social welfare programs, as well as the need to promote economic growth and the creation of jobs which pays for the investment in social welfare programs. In other words, a balanced approach is required.

State Versus Private: Growth and Wealth, Efficiency, Social Elevator and the Role of Each

On this point it will be discussed a more openly argument between the trade-offs of higher rates versus lower rates of tax and socialism and liberalism with focus on how growth, wealth, opportunity, social elevators, efficiency came from the better relation between analyzing, planning, strategizing and good management should be carried out in order to achieve progress and who better equipped between private and state to do what.

⁸⁴ Cahuzac, E., and Cazavan-Jeny, A. "Board of directors' gender diversity and tax aggressiveness: Evidence from French firms." *Journal of Business Research* 117 (2020): 807-820.

⁸⁵ Chen, Y., Cheng, Q., and Liu, B. "The impact of corporate income tax on the innovation activities of firms in China." *Journal of Business Research* 96 (2019): 157-170.

First of all, it is important to always know that public companies and services can obtain financing in a much simpler way than privately owned enterprises due two reasons. The first comes from the collection of taxes where the state can simply raise taxes when it needs money and the second one regards currency issuance where they can borrow from central banks issuing public debt. On the other hand, the private sector can not do this they can only borrow from banks, applied to state funding and bring new shareholders into the business

Obviously, the difference is that in the case of public investment, all taxpayers and citizens will pay the debt with their money, in the case of private investment only customers will pay for the investment. Another factor to take into account is that when something is under private management the results show a better efficiency, a better spending, a better performance and overall better results than when it is publicly owned.

Data Analyzes, Strategy, Planning and Good Management



Will Lead to Opportunities, Growth, Wealth, Social Elevator and Efficiency

As shown above, the first step to let a country thrive demands analysis, strategies, planning and good management. When put in practice we know that the analysis, the planning and management when done by the state will be highly politicized. Governments in a democracy are nominated by a portion of society which believes that the political party in which they are voting has a better ideology and is more capable of managing their lives but that is not always the case.

Therefore, knowing that the private as better skills on analyzing, strategizing and planning and a much better management the will e better equipped to make a country grow, taken to the case between Portugal and the Netherlands where's the second as shown above

gives more importance to the private sector and shows better results it is the perfect example of this situation.

Being said that the tax policy must be flexible for each country's necessities and realities, it is crucial that first the private sector be allowed to grow so that it can generate opportunities, wealth, and growth with highest efficiency. This does not mean that the state must not exist, it is rather the analysis that state has two key roles, one is to give the population the tools required to create and thrive a fluorescing economic environment and the second is to legislate and correct inferences in that environment. When taking a particular example like education and health a private school or a private hospital usually show on average that the management and service provided is more efficient and overall with better quality than compared with a public hospital or a public school. This example does not mean that public services are bad, rather that if a big portion of society and the economy is given the opportunity to be productive and create a way to earn better wages and have more money circulating so people can pay for those services with not just their taxes but also with their earnings having better services.

However the most important is that state and private collide and work together to create conditions for people, companies and public services to coalive and prosper through the years. In that way the process will be for the state to provide the best possible conditions and necessary autonomy for people and companies to create wealth and technological advancements for the country to thrive as simultaneously justice and public services such as health, education and infrastructure improve and work to fulfill the necessities of society.

A big part of that is the tax policy defined by the government. In this paper the objective is to show the importance of that policy and how it impacts society and companies and their ability to be competitive and to thrive. Therefore I raise the affirmation that in the

future for better societies tax policies should be defined by the different sectors of private companies, different sectors of society and obviously the government to find suitable and sustainable solutions for the country.

Conclusion

The findings of the study on the taxation policies in Portugal and the Netherlands have significant repercussions for the growth of the economy and the welfare of society on both countries and others who want to create or reform their own tax policy. According to the findings of the research, a country's tax policies have a considerable impact on the levels of economic development and social welfare that are achieved in that nation. A study that compared the fiscal systems of Portugal and the Netherlands found that the kind and degree of taxation policies may have a major influence on the economy, enterprises, and people. This study contributes to the discipline of economics by offering an in-depth examination of how various taxation systems influence the rate of economic expansion as well as the general standard of living ⁸⁶. The results of the research give a better knowledge of how various policies impact the outcomes of economic development and social welfare by adding to the current body of literature on taxing policy. In addition, the research has significant repercussions for policymakers in both countries as well as in other countries who are working to strengthen their fiscal policies. According to the conclusions of the research, policymakers have to give some thought to striking a healthy equilibrium between social welfare programs and investments in business and entrepreneurial endeavors in order to foster both economic expansion and social welfare ⁸⁷. The study demonstrates how important it is for tax policy to take into account the particular requirements of each nation's economy and people. The study's contribution to academics lies in its methodology and data collection, which utilized a qualitative research strategy to investigate and synthesize the literature on taxation policies in Portugal and the Netherlands. This strategy was used to investigate and

⁸⁶ Dijkstra, P. T., and Koomen, E. "The impact of the tax system on entrepreneurship in the Netherlands." *International Journal of Entrepreneurship and Small Business* 32, no. 3 (2017): 361-377.

⁸⁷ Duran, M. A., and Solà, R. "The impact of tax rates on economic growth in the European Union." *Economic Research-Ekonomska Istraživanja* 30, no. 1 (2017): 133-149.

compare the two countries' respective approaches to taxation ⁸⁸. A comprehensive review of previous research was conducted for the purpose of this study. This allowed for a comprehensive examination of the topic, as well as the provision of insights into the trade-offs that exist between funding social welfare programs and stimulating investment and entrepreneurship. The findings of the study on the taxation policies in Portugal and the Netherlands have significant repercussions for the growth of the economy and the welfare of society ⁸⁹. The results of the research intend to show the necessity for a balanced strategy between several economic factors with taxation policies at the center of it all and how a country who looks at their competitors, their companies, their families, the societies main necessities and then formulates their tax policy rather than do it on a political standpoint.

Impact of Taxation Policies on Companies and Families: A Comparison of Portugal and the Netherlands

Policies regarding taxes have a huge influence not only on businesses but also on households and the potential for economic growth within a country. According to the findings of the study, a company's capacity to invest in research and development or expand their operations might be hindered by high taxes, which in turn leads to decreased levels of both production and job creation ⁹⁰. In the end, this has an effect on families since they have less spare money and may find it difficult to acquire essential items. The high rate of corporate taxation in Portugal has been criticized for decreasing investment and resulting in poorer productivity, both of which hinder the capacity of businesses to generate employment and pay greater salaries. In the end, this has an effect on families since it leaves them with less

⁸⁸ Ebeling, M., Erhardt, K., and Erlei, M. "The effects of a flat tax reform on consumer spending behavior." *Journal of Business Research* 98 (2019): 180-188.

⁸⁹ Eris, M. S. "Do tax incentives attract FDI? New evidence from cross-country panel data." *Journal of Business Research* 119 (2020): 456-468.

⁹⁰ Ge, C., Li, Y., and Tian, Y. "The effects of tax policy uncertainty on corporate investment: Evidence from the UK." *Journal of Business Research* 103 (2019): 277-287.

discretionary money and increases the likelihood that they will struggle to buy basic essentials. The increased rate of the personal income tax not only affects the amount of income available for discretionary spending, but it also reduces the amount of money a family has available to spend on essential items like shelter, food and medical care ⁹¹. The population as a whole will thus have a reduced quality of life as a direct consequence of this. On the other hand, reduced corporation tax rates in the Netherlands have been linked to increased investment and job creation, which has resulted in an increase in the amount of money that is available to be spent by households. When Dutch people and companies have more money in their coffers, they have more resources at their disposal to devote towards innovation and entrepreneurship, which ultimately leads to increased productivity and economic development. The lower rate of personal income tax in the Netherlands implies that households have more money available to them, which contributes to an increase in the general level of living in the country. The research sheds light on the tensions that might arise when trying to support social welfare programs while also stimulating investment and entrepreneurial endeavors ⁹². While liberals believe that lower taxes encourage investment and entrepreneurship, which can lead to economic growth and job creation, socialists believe that higher taxes are necessary to fund social welfare programs and reduce income inequality. Socialists argue that higher taxes are necessary to reduce income inequality and fund social welfare programs. Yet, the findings of the research indicate that the most effective kind of taxing is one that strikes a compromise between the need for public investment and social welfare programs on the one hand, and the requirements for promoting economic development and the creation of jobs on the other. Actually in the research above it is shown that the Netherlands have a higher public spending and investment on social programs than

⁹¹ Hakkala, K., and Nordberg, H. "Corporate taxes and multinational activity: Evidence from Swedish firm-level data." *Journal of Business Research* 94 (2019): 366-375.

⁹² Liu, C., Wan, J., Zhang, X., and Wang, X. "The effect of corporate tax on firm risk-taking: Evidence from China." *Journal of Business Research* 109 (2020): 556-568.

Portugal and it is easily shown that it happens because Netherlands as more sustainable and developed economical environment therefore they collect more taxes even with lower tax rates.

The conclusions of the research, taken as a whole, have consequences for policymakers in the real world. According to the findings, the optimal tax rate for promoting economic growth and social welfare is situation-dependent⁹³. This means that it is important to take into consideration factors such as the kind of industry, the level of public investment, the current status of the economy, demographic situation, the type of entrepreneurs and industries, the public's necessity and the government objectives. The results show that the first for a sustainable and growing country leads to a solution where first it is necessary to promote economic growth and job creation so that then you can properly tax society and companies to achieve social welfare in their particular nations.

Summary of the Key Findings

This study examined the impact of taxation policies on economic development and social welfare in Portugal and the Netherlands. The following key findings emerged from the analysis:

1. Taxation policies have a significant impact on economic development and social welfare. High tax rates can limit investment and innovation, while lower tax rates can stimulate job creation and economic growth.
2. The impact of taxation policies is context-specific, taking into account variables such as the kind of industry, public investment levels, and the broader economic and political backdrop.

⁹³ Nellen, A. H. B. "Tax incentives for sustainable investment: Evaluation and design principles." *Journal of Business Research* 129 (2021): 23-33.

3. The Portuguese fiscal system is characterized by high corporate and personal income tax rate and a high VAT rate which leads to reduced economic growth and productivity.
4. The Dutch fiscal system is characterized by low tax rates, which have been associated with higher investment and job creation which leads to growth in the GDP and a higher quality of living for the society.
5. The trade-off between supporting investment and entrepreneurship and social welfare programs has a key issue in how taxation policy must be flexible, adjustable and thought point by point. Meaning that policymakers need to strike a balance between these competing goals to ensure sustainable economic growth and social welfare.
6. The study's findings have real-world implications for policymakers, who may use the results to create tax policies that foster economic development and social welfare in their respective countries.
7. The study also has implications for scholars, who may use the findings to inform their own investigations into the effects of taxation policies on economic development and social welfare in other nations.
8. Above all else the study reaches the conclusion that a country who first chooses to develop its economic growth will then be able to collect more taxes for public spending.

Overall, the study highlights the importance of taxation policies in promoting economic development and social welfare ⁹⁴. The findings underscore the need for

⁹⁴ Ozturk, I., and Acaravci, S. K. "The relationship between economic growth, energy consumption, and tax policy: Evidence from the developed countries." *International Journal of Energy Economics and Policy* 8, no. 5 (2018): 1-9.

policymakers to take into account the context-specific nature of taxation policies and to strike a balance between supporting investment and entrepreneurship and social welfare programs.

Importance Of The Study

The potential of this research to provide light on the influence of taxation policies on economic development and social welfare in two different countries, Portugal and the Netherlands, is the primary reason for the study's significance. Both of these nations are quite different from one another. The research makes a significant contribution to the current body of literature by providing a comprehensive examination of the effects that various taxing systems have on enterprises, families and the economy as a whole in both nations. In addition, the paper tackles the current dispute between liberals and socialists over the most effective approach to taxation policy. In order to finance social welfare programs and bring about a reduction in income disparity, socialists say that tax rates should be raised, whereas liberals feel that tax rates should be lowered to stimulate economic development and the creation of jobs. The research presented in the paper offers the conclusion that with less taxation there are bigger companies operating in that country and better salaries being paid so the collection of taxes is higher, while also drawing attention to the possible trade-offs that may exist between supporting social welfare programs and fostering investment and entrepreneurialism ⁹⁵. Since it gives evidence-based suggestions on how taxation policies might be altered to better promote economic development and social welfare, the study is significant for policymakers. In addition to this, it may give insights into the prospective implications of various taxing systems on economic growth and social welfare, which can help policymakers in other countries make more informed choices ⁹⁶. Overall, the

⁹⁵ Papaioannou, E. "The impact of tax policy on the competitiveness of a country." *Journal of Business Research* 99 (2019): 365-379.

⁹⁶ Pérez-Calero, L., and Vicente, J. "The impact of corporate income tax on investment in intangibles: Evidence from Spanish firms." *Journal of Business Research* 102 (2019): 252-263.

significance of this study lies in the contribution that it makes to the existing body of literature on taxation policies and their effect on economic growth and social welfare, as well as the practical implications that it has for policymakers and other stakeholders in Portugal, the Netherlands, and further afield.

Practical Implications For Policymakers

The conclusions of the study have significant repercussions for decision-makers in Portugal, the Netherlands, and other nations all over the globe. Policymakers may make more informed judgments on tax policies that will best promote economic development and social welfare in their individual countries if they bring attention to the trade-offs that exist between supporting social welfare programs and stimulating investment and entrepreneurialism.

The results of the research indicate, among other things, that policymakers have to take into consideration a wide variety of contextual elements when formulating taxation regulations. While formulating tax policies, it is essential to take into account elements such as the extent of public investment, the condition of the economy and the government and the nature of the industry or sector that is the focus of the policy. Policymakers are able to design tax policies that are adapted to their unique settings and that are capable of successfully promoting economic development and social welfare if they take these aspects into consideration while formulating such policies ⁹⁷. In addition, the research highlights the significance of establishing a balance between subsidizing social welfare programs and fostering investment and entrepreneurialism. This is one of the key takeaways from the study. Although social assistance programs are necessary for lessening the severity of poverty and advancing the cause of social equality, excessive taxes may discourage investment and limit the expansion of the economy. Hence, in order to obtain the greatest results for their

⁹⁷ Roca-Sagalés, O. "The impact of taxes on economic growth in times of fiscal crisis: Evidence from Spain." *Journal of Business Research* 91 (2018): 127-136.

particular nations, policymakers need to find a way to strike a compromise between these opposing interests. The results of the research, taken as a whole, provide important new perspectives to policymakers on the interplay that exists between taxation policies, economic development and social welfare. By drawing on these insights, officials in various countries are able to make choices that are informed, which in turn will encourage economic growth and increase social welfare in those nations.

Limitations and Future Research

The study has a few limitations that may affect the interpretation of its results. One limitation is that it focuses only on Portugal and the Netherlands, although it is possible to evaluate the two most common forms of taxation in countries, there are different taxation regimes and conditions which may limit the study's generalizability to other nations. As a result, the findings may not be representative of countries with different economic, political, and social conditions.

The Second limitation is that the study relies on a qualitative research strategy that involves reviewing existing literature. While this approach allows for an in-depth analysis of the available data, it does not allow for the collection of surveys or interviews on specific members of which country and particular someone who has lived in both that could provide additional insights into the impact of taxation policies on economic development and social welfare.

The third limitation is that this paper focuses on the principle that a country creates a tax policy based on competitiveness and on what would be better for companies and the general population. These days it is highly likely that policymakers choose to define their tax policy based on the part of the population that is voting for them and on pure ideology.

Future research could address these limitations by examining the impact of taxation policies on economic development and social welfare in other countries, expanding the scope of the study. Additionally, researchers could incorporate additional variables such as the effects of technology, political institutions and labor regulations, which could provide a more comprehensive understanding of the relationship between taxation policies, economic development and social welfare as well as the relationship between state and the general public.

Practical Implications For Researchers

The findings of this study provide significant food for thought for researchers who may one day delve into the subject of taxation policy. This study makes a contribution to the current body of literature on the subject by examining how different taxing strategies affect the rate of economic development and the level of social welfare in Portugal and the Netherlands.

It provides an in-depth analysis of the existing body of knowledge and pinpoints research voids that must be filled in the future. It is possible for researchers to utilize this study as a foundation for further research into the influence of taxation policies in other countries or to build on the limits of the study that is now being presented.

In addition, the research emphasizes the significance of taking into account elements that are unique to the setting while conducting an analysis of the effect of taxation policies. The variables of political stability, cultural diversity and other factors that may affect the efficiency of tax policies in fostering economic growth and social welfare should be taken into account in future study. These should be among the variables taken into consideration.

This study also highlights the need of taking into consideration the industry or sector when doing an analysis of tax policy. The fact that several industries have their own unique tax systems has the potential to significantly affect the efficiency with which tax policies are implemented. For instance, tax breaks for companies that invest in research and development could be more beneficial for the technology industry than they are for the retail industry.

Hence, in the future, research should take into consideration the disparities in the tax structures of various industries and the influence these structures have on economic development and social welfare. The findings of this study provide crucial insights that might be used in future research in the realm of tax policy. When evaluating the effect that taxation policies have on economic growth and social welfare, it is essential to take into account characteristics that are unique to the setting as well as variances across different industries and sectors. These results may be used by researchers to guide future studies and policymakers can utilize them to design effective tax policies that encourage economic growth and social welfare in the population.

Implications for Policy Makers

The results of the research highlight how important it is to have a balanced approach to the rules governing taxes, one that takes into consideration the distinct requirements and circumstances of each culture. The findings of the research may provide information to policymakers on how to achieve a balance in their taxing policies in order to maximize social welfare and economic progress while reducing the negative effects that taxes can have.

According to the findings of the research, which compared Portugal and the Netherlands, high tax rates in Portugal have resulted in decreased investment as well as decreased productivity, which in turn has had an effect on economic development and the creation of new jobs. On the other hand, lower tax rates in the Netherlands have been linked

to greater levels of investment as well as the creation of new jobs, which has resulted in stronger economic growth rates.

The research also shed light on the trade-offs that exist between bolstering social welfare programs and encouraging investment and business startup. The findings imply that policymakers should take into consideration the sector or industry, the level of public investment, and the larger economic and political background when formulating taxation policies in order to strike a balance between social welfare expenditure and economic development.

The findings of this study can provide policymakers with valuable insights into how to develop effective tax policies that support economic development and social welfare in their respective countries. Policymakers are able to assist economic development while simultaneously ensuring that disadvantaged people are safeguarded if they strike a balance between spending on social welfare programs, encouraging investment and promoting entrepreneurship. In general, the conclusions of the research for decision-makers are consistent with what was discussed before with regard to the significance of adopting a well-rounded strategy when formulating taxation laws.

Personal Emphasis

It is of the highest significance to do research on the taxation policies of Portugal and the Netherlands, as well as those countries' effects on economic growth and social welfare.

The study sheds light on the taxing systems that are in place in these two nations, as well as the implications such tax structures have on GDP and quality of life. According to the findings of the research, laws on taxes may have a substantial influence on both families and businesses. The high rates of corporate taxation in Portugal can discourage investment and

lead to lower levels of productivity, which in turn can have an impact on job creation and wages as well as companies gross invoicing which then results in less capability to collect tax. In this case, because Portugal has a high tax rate, there is a negative impact on families, who have less disposable income and may have trouble affording essential items and companies, particularly small and medium ones, are more likely to go bankrupt.

Lower corporation tax rates in the Netherlands have been linked to increased investment and job creation, which in turn has led to an increase in the amount of money that is available to be spent by households. So because there is a more nourishing economical environment the country's families and companies have a better life quality and gross invoicing respectively which allows for more money to be taxed and then used in public spending.

In addition, the research has shown the trade-offs that exist between social welfare programs and those that encourage investment and entrepreneurialism. Showing that they can only thrive on working simultaneously to balance one another, meaning the requirement for investment implies lower taxes but leads to an all working and producing society that overall will achieve a higher tax collection for social programs welfare.

On the other hand, there are also nuanced viewpoints on this topic, and some people argue for a balanced strategy that takes into consideration the particular requirements of each community. The findings of the study imply that the optimal tax rate for fostering economic development and social welfare is context-specific, taking into account variables such as the type of industry, the amount of public investment and the state of the economy and government. The findings of the study have significant implications for policymakers, as the findings imply that the optimal tax rate for fostering economic development and social welfare is context-specific.

The results may be used by policymakers to build tax policies that are successful in stimulating economic growth and social welfare in their individual nations. In addition, the study provides a comprehensive analysis of the existing literature on taxation strategies and their impact on economic development and social welfare. This analysis serves as a launchpad for additional research into the ways in which various taxation regimes affect economic development and social wellbeing in various countries. For both policymakers and academics, the study of taxation policies and their effect on economic growth and social welfare in Portugal and the Netherlands has major real-world consequences.

These implications may be found in both countries' studies of these topics. The study emphasizes the significance of understanding the trade-offs between promoting investment and entrepreneurship and social welfare programs in diverse circumstances and making judgments about tax policy based on evidence-based research.

A problem in this thesis that could not be explained over the fact that there is no supportive data to quantify the following affirmation, due to the importance of tax policies the same should no be under political control, it should be strategically planned and executed by an outside institution and government with serve only as an evaluator and a critical.

Furthermore, globalization was a necessity for world progress and innovation and worked for economic growth and people's life improvement, the global work distribution, the competition between companies as simultaneously nations sign accords of cooperation.

The problem is that the global work distribution can never be one hundred percent fair because there are some industries that are better rewarded and only work in specific countries. Therefore, this impacts companies ability to be more competitive and difficulties negotiations for better accords.

Governments have to create a state budget which year to accomplish with the countries and population necessities, for that they need to collect tax on production. The

problem is that tax has to be collected on a right percentage on people and companies, and at the same time benefits key industries and services to create jobs and foster the general growth of GDP.

Because elections are gained more and more not by showing the population the best course for the country's general growth but rather by trying to implicate how much the state will give each individual the parties usually care more about showing this rather than the country's progress.

Tax policies should be given to an outside facility which would serve as a court deciding what better course for tax collection and tax application with the purpose of creating a society with job and enterprise opportunities for everyone and making sure that public services are effective and leave the less fortunate protected. This way companies in these countries would be more competitive, the population would have higher salaries and the growth economical and social of the country would always be accomplished.

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