

INTERACTION OF COMMERCIAL AND TAX LAW IN THE FUNCTION OF IMPROVING CORPORATE GOVERNANCE

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Abstract: *The modern business environment is characterized by an increasingly pronounced interdependence between the rules of commercial and tax law, which together shape the way companies operate. The aim of this work is to analyze the mutual relationship between these two legal systems and point out their importance in improving corporate governance and fiscal transparency. The paper discusses the key normative frameworks that regulate the business of economic entities, with special reference to tax obligations, responsibility of management structures and reporting mechanisms.*

Keywords: *Tax law, Commercial law, Corporate governance, Companies.*

INTRODUCTION

Contemporary business conditions impose a need for greater coordination between the various legal areas that regulate the functioning of economic entities. In this context, commercial law and tax law represent two key normative pillars that directly affect the organization, management and financial reporting of companies. Their mutual interaction becomes particularly significant in the conditions of globalization, increased regulatory complexity and growing demands for business transparency.

Commercial law traditionally regulates status issues, internal organization and responsibility of management bodies in companies, while tax law regulates fiscal obligations and the relationship between taxpayers and the state. However, the boundaries between these two areas are becoming less pronounced, as tax regulations increasingly influence business decisions, capital structure and management strategies. On the other hand, corporate governance rules have a direct impact on the level of tax discipline and transparency (Bradgate et al., 2012).

In recent decades, the concept of fiscal transparency and responsible corporate governance has gained increasing importance, as a response to numerous financial scandals and tax abuses. In this sense, effective coordination between the norms of commercial and tax law contributes to reducing the risk of aggressive tax planning, improving compliance with regulations and strengthening the confidence of investors and the general public. The role of regulatory bodies and oversight mechanisms in ensuring the consistent application of these rules is particularly important.

Based on the above, the goal of this paper is to analyze the mutual relationship between economic and tax law, with special reference to their impact on corporate governance and fiscal transparency. The work is based on a normative

and comparative analysis of relevant legal frameworks and theoretical approaches, with the aim of identifying key challenges and opportunities for improving the existing regulation and its application.

DEFINITION AND LEGAL FRAMEWORK OF COMMERCIAL AND TAX LAW

Commercial law is a branch of law that regulates the legal position of economic entities, their status, organization, as well as legal relations that arise in the performance of economic activity. At the center of this legal discipline are commercial companies as the main carriers of market activities, whose establishment, management and termination are regulated in detail by positive regulations. Commercial law includes a wide range of norms related to contractual relations, status changes, responsibility of management bodies and protection of the rights of market participants, thereby contributing to legal security and stability of the business environment (Harris, 2020).

On the other hand, tax law as a branch of public law regulates relations between the state and taxpayers in connection with the determination, calculation and collection of taxes. Its basic function is the provision of fiscal revenues necessary for the functioning of the state, but also the achievement of certain economic and social goals through tax policy. Tax law defines the types of taxes, tax bases, tax rates, as well as the rights and obligations of taxpayers, including mechanisms of control and sanctions in case of non-compliance with regulations.

Although they are traditionally viewed as separate legal fields, commercial and tax law are increasingly interconnected in modern conditions. Business entities, as taxpayers, make their business decisions within the normative framework that simultaneously determines their legal structure and tax treatment. For example, the choice of legal form of organization (eg limited liability company or joint stock company) has direct implications for tax obligations, the way profits are taxed, as well as the distribution of income. This interdependence indicates the need for an integrated approach in the interpretation and application of these legal norms (HJI Panayi & Perrou, 2023).

The legal framework of commercial and tax law is based on a combination of national and international sources. At the national level, a key role is played by the laws that regulate the establishment and operation of companies, as well as tax regulations that define fiscal obligations. In the context of European integration, the legal sources of the European Union, which influence the harmonization of national legislation, especially in the field of taxation and corporate governance, are of increasing importance. This process further complicates the legal framework, but at the same time contributes to its modernization and harmonization with international standards.

Of particular importance is the demarcation between the public and private nature of these norms. While commercial law predominantly belongs to the sphere of private law, because it regulates relations between legal entities and natural persons on the market, tax law has a predominantly public law character, given that

it regulates the relationship between the state and taxpayers. However, in practice there is an increasing convergence of them, since tax regulations affect private law relations, while corporate governance rules have implications for the fulfillment of public law obligations.

In this sense, understanding the conceptual definition and legal framework of commercial and tax law is the basis for analyzing their mutual interaction. Their coordinated application enables more efficient functioning of business entities, reduction of legal uncertainty and improvement of the overall business environment.

TAX SYSTEM AND TAX DISCIPLINE OF COMPANIES

The tax system is a set of legal norms, institutions and procedures that govern the collection of public revenues through various forms of taxation. Its basic function is reflected in the provision of financial resources for the functioning of the state, but also in achieving a wider economic and social impact through income redistribution, encouraging investments and regulating market flows. In modern economies, the tax system is complex and includes different types of taxes that directly or indirectly affect the business operations of companies.

Businesses, as the key bearers of economic activities, are subject to various forms of taxation, among which the profit tax of legal entities, value added tax, as well as numerous parafiscal levies and contributions stand out. The profit tax is one of the most important forms of direct taxation, as it refers to the realized profit of the company, while the value added tax plays a significant role in the taxation of consumption and affects the flow of money within the business system. In addition, the tax treatment of various business activities, such as investments, depreciation or international transactions, further complicates the tax position of business entities (Mohammed & Tangl, 2023).

In this context, tax discipline, i.e. tax compliance, is a key element of the efficient functioning of the tax system. Tax discipline implies timely and accurate fulfillment of all tax obligations by companies, including income reporting, tax calculation and payment in accordance with current regulations. A high level of tax discipline contributes to the stability of public finances, reducing the gray economy and strengthening trust between taxpayers and the state.

The level of tax discipline is influenced by many factors, including the complexity of the tax system, the frequency of changes in regulations, the efficiency of tax administration and the level of the tax burden. Excessive complexity and ambiguities in the regulation can lead to unintentional mistakes, but also encourage tax evasion. On the other hand, a transparent and predictable tax system, with adequate control and sanctioning mechanisms, encourages voluntary compliance by taxpayers.

It is important to distinguish between legal tax planning and illegal tax avoidance. Tax planning involves using legal options to optimize the tax burden, while tax evasion represents illegal behavior that includes concealing income or providing incorrect information in order to avoid paying taxes. The line between

these two concepts can often be thin, which further emphasizes the importance of a clear normative framework and consistent application of tax regulations.

In modern business conditions, the concept of tax transparency, which implies openness and availability of information about tax obligations and practices of companies, is gaining more and more importance. This concept is closely related to the principles of corporate governance and social responsibility, as it contributes to building the company's reputation and strengthening the trust of investors and the general public. In this sense, tax discipline is not only a legal obligation, but also an important element of strategic management and long-term business sustainability (Stiglingh et al., 2022).

BASIC PRINCIPLES OF CORPORATE GOVERNANCE AND FISCAL TRANSPARENCY AND RESPONSIBILITY IN BUSINESS

Corporate governance is a system of rules, relationships and processes through which the work of companies is managed and controlled, with the aim of ensuring efficient, responsible and transparent business operations. It is based on principles related to the protection of shareholders' interests, the responsibility of management structures, the fair treatment of all interested parties, as well as the provision of timely and accurate business reporting. These principles were developed through international standards and recommendations, and their application is a key element of stability and long-term sustainability of companies (Karsono, 2023).

One of the central principles of corporate governance is management responsibility, which implies the obligation to make decisions in the best interest of the company and its owners. This responsibility also includes financial reporting, risk management and compliance with applicable legal regulations. In this context, transparency appears as an indispensable element of good management, as it enables all interested parties to see the business activities and financial condition of the company.

Fiscal transparency represents a special aspect of the overall transparency of business and refers to the clear, accurate and timely publication of information on tax obligations and tax practices of companies. It implies not only the formal fulfillment of legal obligations, but also the willingness of companies to provide additional information about their tax policy, strategies and risks. In this way, fiscal transparency contributes to the reduction of information asymmetry between companies, the state and investors, as well as to the strengthening of trust in the business sector.

Responsibility in business is increasingly viewed through the prism of compliance with tax regulations and ethical standards. In this sense, companies are not evaluated solely on the basis of the achieved financial results, but also according to the way in which they fulfill their fiscal obligations. Aggressive tax planning, although formally legal, can have negative reputational consequences and call into question the company's social responsibility. Therefore, the modern concept of corporate governance relies more and more on the principle of

"responsible taxation", which implies a balance between optimizing the tax burden and respecting the broader social interest.

The connection between corporate governance and fiscal transparency is reflected in the fact that quality management mechanisms encourage a higher level of tax discipline and responsibility. Effective internal control systems, independent audit committees and clear reporting policies contribute to the correct calculation and payment of taxes, as well as reducing the risk of tax irregularities. At the same time, transparent reporting on tax obligations strengthens the company's credibility and improves its position on the market.

In modern business conditions, especially in the context of globalization and digitalization, the importance of fiscal transparency is growing. International initiatives and standards increasingly require companies to publish detailed information about their tax activities, including country-by-country reporting. These trends point to the need for further improvement of the regulatory framework and strengthening of the integration between the principles of corporate governance and tax regulation (Wang & Hu, 2022).

Based on the above, it can be concluded that corporate governance and fiscal transparency are mutually conditioned and that together they contribute to more responsible, sustainable and ethically acceptable business operations of companies. Their consistent application is not only a legal requirement, but also an important competitive factor in the modern business environment.

CHALLENGES AND DIRECTIONS FOR IMPROVEMENT OF REGULATION

The modern regulatory framework in the field of commercial and tax law faces numerous challenges arising from the dynamics of the global market, digitalization of business and the increasing complexity of legal norms. One of the key problems is insufficient compliance between the regulations governing the business of companies and those defining their tax obligations. This mismatch can lead to legal uncertainty, difficult interpretation of regulations and increased compliance costs for economic entities (Kebede et al., 2025).

An additional challenge is the frequent changes in tax regulations, which negatively affect the predictability of the business environment. Companies are forced to continuously adapt their business strategies to new regulatory requirements, which can limit long-term planning and investment decisions. The complexity of the tax system, with the existence of numerous exceptions and special regimes, further complicates its application and increases the risk of unintentional errors or different interpretations by the tax authorities.

In the context of international business, a special challenge is tax competition between countries, as well as the problem of tax base erosion and profit shifting (BEPS). Multinational companies use differences in national legislation to optimize their tax obligations, which leads to a decrease in public revenues and a violation of the principle of fairness in taxation. These problems

indicate the need for more intensive international cooperation and harmonization of tax rules.

One of the significant challenges also relates to the digitization of the economy, which changes traditional business models and makes it difficult to apply existing tax rules. Digital companies often operate globally without a physical presence in the countries where they generate revenue, challenging existing concepts of tax residency and taxation. In this sense, the regulatory framework must be adapted to new forms of business in order to ensure a fair distribution of tax revenues.

When it comes to directions for improvement of the regulation, one of the key goals is to increase the degree of compliance between commercial and tax law. This implies the adoption of clear, consistent and mutually compatible norms that enable simpler application and reduce legal uncertainty. Also, it is necessary to improve the transparency of the tax system through the simplification of procedures, digitization of tax administration and strengthening the availability of information to taxpayers.

The further direction of improvement refers to the strengthening of the institutional capacities of tax authorities and improvement of control and supervision mechanisms. Effective tax administration, based on modern information systems and analytical tools, can significantly contribute to increasing tax discipline and reducing the gray economy. At the same time, it is important to ensure a balance between control and support for taxpayers, in order to encourage voluntary compliance.

In the context of international integration, harmonization with the standards and directives of the European Union represents an important direction in the development of national legislation. Harmonization with European rules in the field of taxation and corporate governance contributes to improving legal certainty, attracting investments and strengthening the competitiveness of the economy. Of particular importance are initiatives aimed at combating tax abuses and improving transparency, which require the active participation of states in international processes.

In the end, the improvement of regulation should also be viewed through the prism of the development of the concept of responsible business. The integration of the principles of fiscal transparency, ethical taxation and good corporate governance into the legal framework can contribute to the creation of a sustainable and stable business environment. This not only strengthens trust between business entities and the state, but also encourages long-term economic development based on legality and responsibility.

CONCLUSION

The interaction between commercial and tax law represents a crucial element in shaping a stable, transparent and efficient business environment. As demonstrated throughout this paper, these two branches of law are no longer

isolated normative systems, but rather deeply interconnected frameworks that jointly influence corporate behavior, decision-making processes and overall business performance. Their coordinated application plays a key role in strengthening corporate governance mechanisms and enhancing fiscal transparency.

The analysis has shown that a well-structured legal framework, supported by clear and consistent regulations, contributes significantly to improving tax discipline and reducing legal uncertainty. At the same time, the principles of corporate governance, particularly those related to accountability, transparency and responsibility, directly affect the level of compliance with tax obligations. In this regard, fiscal transparency emerges as an essential link between legal compliance and ethical business conduct.

However, the research also highlights numerous challenges, including regulatory complexity, frequent legislative changes, and the growing impact of globalization and digitalization. These factors require continuous adaptation of both commercial and tax regulations, as well as stronger institutional capacities and enhanced international cooperation. Addressing issues such as tax base erosion, profit shifting and digital taxation remains a priority for both national and supranational regulatory frameworks.

In order to overcome these challenges, it is necessary to further harmonize commercial and tax law, simplify regulatory procedures and promote greater transparency within the tax system. Additionally, strengthening the role of corporate governance mechanisms and encouraging responsible taxation practices can contribute to building trust among stakeholders and ensuring long-term business sustainability.

In conclusion, the integration of commercial and tax law, supported by effective governance and transparent fiscal practices, represents a fundamental prerequisite for the development of a modern and resilient economic system. Future efforts should be directed towards creating a balanced regulatory environment that not only ensures legal compliance, but also promotes ethical standards and sustainable growth in the corporate sector.

While writing the present article, the author (Svetlana MARKOVIĆ) used ChatGPT in order to translate from Serbian into English. After using this tool/service, the author reviewed and edited the content as needed and takes full responsibility for the content of the published article.

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