

Abstract

From the United Kingdom's Brexit on June 23, 2016, to the formal Brexit on January 30, 2020, there has been a large amount of academic literature discussing the possible effects of Brexit. Among them, the literature on the impact of Brexit on tax policy reforms and capital markets in EU countries is too numerous to enumerate. However, the current research literature lacks a discussion of Central and Eastern European countries, and there is even less research on the link between capital markets and tax policy reforms. This article assumes that the impact of Brexit on the capital markets of CEE countries will cause the government to turn to tax increases to increase fiscal revenue. Three hypotheses are proposed under this assumption. In addition, the empirical research in this article uses the combination of the Poisson model and the Heckman selection model to conduct regression research on the overall taxation of CEE countries, changes in direct and indirect taxation tax policies and bond interest rates, government changes, and political parties left or right. It is concluded that Brexit has no significant impact on the capital markets of CEE countries, and has not caused enough shocks that the government will turn to the government to increase revenue by issuing more tax increases. And Brexit reforms the taxation policy of CEE countries more from the government level. It is concluded that during the Brexit period, the government may be considering changes related to Brexit taxation, so more tax reduction policies will be issued to ease the pressure.

Keywords

Brexit; tax reform; capital markets; Central and Eastern European countries (CEE); European Union; Partisanship; bond interest rates;