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Legal foundations of stimulating fiscal policy in the EU

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Abstract. The relevance of the study lies in the fact that in the realities of modern economic dynamics and the transformation of socio-economic systems of the EU countries, the legal framework of stimulus fiscal policy is becoming a key tool for restoring economic growth, supporting businesses, and ensuring sustainable social justice. The purpose of this study is to systematize and analyse the specific legal instruments and provisions that underpin stimulus fiscal policy in the EU. The methods used include analytical method, statistical method, functional method, system analysis method, deduction method, synthesis method and comparison method. The study examined various aspects of fiscal regulation aimed at supporting economic development and social stability in the EU. The study is based on the analysis of tax mechanisms, financial instruments and budgetary strategies used to stimulate certain aspects of the economy. In particular, the impact of tax exemptions and privileges on entrepreneurship and investment activity was examined, as well as the effectiveness of fiscal measures to support small and medium-sized enterprises in countries such as Ireland, Poland, and Germany. The latest EU initiatives to stimulate innovation and green technologies were also studied, considering their legal and financial aspects. The main challenges and obstacles that arise in the process of implementing stimulating fiscal policies are highlighted, and possible ways to overcome these difficulties are identified. The study also draws attention to the interaction between fiscal policy and other areas of legislation, such as social and environmental policy, in particular, in the context of achieving sustainable development goals. The practical

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significance of this study is to provide concrete recommendations for EU governments on how to optimize legal and fiscal instruments aimed at stimulating economic development, innovation, and social stability

Keywords: economic growth; social stability; "green" technologies; strategic management; global challenges

Introduction

In the context of the current economic and social shifts resulting not only from the natural pandemic but also from the general instability in financial markets, EU countries are going through a period of transformation and rethinking their development strategy. In the context of high uncertainty and the need for environmental orientation, the study of the legal aspects of stimulus fiscal policy is crucial. The COVID-19 pandemic and its socio-economic consequences require careful analysis and development of effective financial support strategies for businesses and citizens. At the same time, the volatility in financial markets poses a challenge for the creation of an adaptive fiscal policy that can effectively respond to changing conditions.

The introduction of green technologies in the context of the rapid development of the renewable energy sector and the growth of environmental awareness is becoming a major challenge for EU countries (Vyshnevska *et al.*, 2022). In this context, the study of the legal framework for stimulating fiscal policy becomes a strategically important step towards creating a favourable environment for the development of the green economy. The use of adaptive fiscal strategies, in particular, may prove to be crucial for ensuring financial stability and supporting the sectors of the economy that have suffered the most from the effects of the crisis. Considering the relationship between fiscal policy and social welfare is becoming a key aspect for creating effective tools to support and restore the economic well-being of citizens (Tyshchenko & Naidenko, 2023).

In their paper, M. Petrychko *et al.* (2022) focus on the role of the legal framework for stimulus fiscal policy in Ukraine in addressing current economic challenges, including the pandemic and financial market instability. They argue that legal mechanisms such as tax privileges, financial incentives and other fiscal instruments help to stabilize the economy by supporting businesses and maintaining social stability. Through an analysis of tax measures and their effects, the authors reveal the effectiveness of stimulus fiscal policy in ensuring economic recovery and social security.

The study by L. Marchenko (2022) focuses on the interaction of legal aspects of stimulating fiscal policy with the introduction of green technologies in the EU. The author analyses tax incentives and other financial instruments aimed at supporting renewable energy and sustainable development. The author also points out the need to develop differentiated approaches to taxation and financial support to stimulate specific areas aimed at reducing environmental impact and developing environmentally friendly technologies.

In turn, V.S. Shved (2022) focuses on the social aspects of stimulus fiscal policy in the EU. His research shows how the legal framework affects unemployment, social inclusion, and access to education and healthcare. This allows determining how effectively fiscal policy promotes social justice and what opportunities it creates for improving social well-being. The study by A.S. Mariyash (2021) also reveals that the legal framework for stimulus fiscal policy in the EU is an important incentive for innovative development. The author analyses the legal instruments, namely tax incentives aimed at supporting high-tech industries and research projects. These results are an important source for developing strategies aimed at supporting innovation in the European Economic Area, taking into account the aspects and needs of these industries. The results obtained by M. Larch *et al.* (2021) show doubts about the effectiveness of fiscal policy in the EU, especially in the context of recovery and reforms. In their study, they emphasize the importance of a balanced approach to development that aims to ensure a sustainable economic and environmental future for the region.

The results of the previous authors' studies show that they focused on different aspects of stimulus fiscal policy in the EU. However, they did not highlight specific measures of stimulus fiscal policy, their impact on various sectors of the economy and society, as well as possible negative consequences or challenges. The purpose of this study is to develop recommendations for optimizing stimulus fiscal measures in the EU, providing more effective and diverse instruments for achieving strategic goals in the areas of economy, social policy, and environment.

Materials and methods

The source base of the study included a variety of regulatory and official information and analytical sources, which allowed for a comprehensive and objective approach to the analysis of stimulus fiscal policy in the EU. Analysis of treaties, regulations, and reports of EU governing bodies, such as the Consolidated Version of the Treaty on the Functioning of the European Union (2012), the Statute of the European System of Central Banks and of the European Central Bank (2011) and the Stability and Growth Pact (1999), which provided a significant legal and practical context for the study. The analysis of these documents provided the basis for understanding the formal framework and instruments used in the context of fiscal policy. Academic articles, monographs, and studies in the fields of finance, economics, and law contributed to the theoretical foundation of the study. The use of information and reports provided by international economic organizations (EU Tax Data, 2024; NextGenerationEU, 2024) played a key role in creating an objective assessment of the economic and social situation in the EU. The use of these data allowed for an objective analysis of the effectiveness of stimulus fiscal strategies in the EU to develop evidence-based conclusions and recommendations for further research in the field of financial policy.

The scientific research on the study of topical issues of the topic was carried out using methods that reveal the content of the object. The analytical method allowed thoroughly examining EU legislation and regulations, identifying key points, and establishing their interconnection. This approach made it possible to classify the information, making it available for further scientific analysis. The statistical method was used to objectively measure the effectiveness of stimulus fiscal policy. This method helped to determine the relationships between various economic indicators, making it possible to quantify the results. The functional method was used to study aspects of fiscal policy in depth. The study of the tax structure, mechanisms for stimulating the economy and social sectors allowed determining how individual elements affect overall development.

The method of system analysis was used to consider fiscal policy as a complex system of interacting parts. This approach helped to identify internal dependencies and interactions, which are key to drawing objective conclusions. The method of deduction was used to study the general principles and laws underlying the fiscal policy of EU countries. The study of the main theoretical principles made it possible to identify specific strategies based on general provisions that became the basis for understanding the principled approach to stimulus fiscal policy. The synthesis method was used to integrate various elements of fiscal policy into a coherent understanding. This method helped to collect and combine various sources of information, forming a coherent and complete picture of the effectiveness of stimulus measures.

The comparative method helped to explore the differences and similarities in approaches to identify best practices and use them in the formulation of recommendations. The comparative analysis provided an objective view of different strategies, which can serve as a basis for formulating optimal solutions in the context of stimulus fiscal policy. As a result, these activities were undertaken to consider the feasibility of implementing specific stimulus legal measures and to assess their impact on the economy and social sectors in EU countries.

Results

Stimulating fiscal policy, which is a key instrument of economic management, is based on numerous concepts that define various aspects of the impact on economic dynamics and development. It is possible to identify the main concepts of this policy that will determine the directions and instruments that can be used in response to economic challenges. The first important concept is related to tax policy. Reducing income and corporate taxes is a strategy to increase the spending power of individuals and businesses. This can stimulate investment, support consumption, and contribute to overall economic growth. Monetary policy, including the regulation of interest rates, also affects credit activity and investment by regulating the money supply in circulation (Long & Liao, 2021). The second concept is the direction of public spending and infrastructure projects. Increased government spending on key sectors such as infrastructure, education, and healthcare can be a strong stimulus for economic development. Investments in infrastructure not only boost production but also create new jobs, which supports social stability (Flynn *et al.*, 2022). In addition, the third concept defines the importance of social programmes and support for the population. Increasing social spending and supporting social programmes can improve the lives of citizens, reduce inequality, and increase their overall standard of living (Geels, 2019). The fourth concept relates to supporting domestic demand. Creating measures that increase consumer spending can be an important factor in restoring economic growth. Consumption is a key driver of economic activity, and measures to stimulate it can have a significant impact (Addison *et al.*, 2018). All of these concepts need to be considered in the context of a country's specific circumstances. An effective stimulus fiscal policy requires a proper combination of these aspects and consideration of the economic environment. It is necessary to balance conservative and innovative approaches in order to achieve optimal results in maintaining economic sustainability and social welfare.

Within the EU, fiscal policy is governed by a number of legal instruments and regulations that focus on taxation, budgetary constraints and other aspects of the financial activities of its member states. The key document that defines the EU's economic and fiscal framework is the Treaty on the Functioning of the European Union (TFEU), also known as the Lisbon Treaty (Consolidated Version of the Treaty…, 2012). The finance-related articles of the TFEU define the principles of economic policy coordination and budgetary management within the EU. Particular attention is drawn to Article 126, which sets out requirements for limiting budget deficits and debt of EU member states. This regulation establishes specific criteria and mechanisms for monitoring the financial sustainability of countries and promotes a common fiscal policy within the EU.

The Statute of the European Central Bank (ECB) is the key document that defines the roles and functions of the ECB and the national central banks of the EU member states (European Central Bank, 2011). From the perspective of stimulative fiscal policy, this document gives the ECB important tasks in the field of monetary policy, money supply control and influence on financial markets. The ECB uses monetary instruments to stimulate the economy by regulating the amount of money in circulation and setting interest rates. Its tasks in the context of stimulative fiscal policy may include taking actions to support economic growth and create favourable conditions for financial stability in the Eurozone.

The European Fiscal Council is defined as an important financial management body in the EU aimed at coordinating fiscal policy, in particular, in the Eurozone. The main goal of the Council is to ensure compliance with the rules and restrictions set out in the Stability and Growth Pact (1999), which regulates the budgetary policy of EU member states. The Council interacts with member states, providing them with advice and evaluating their fiscal strategies to ensure the coherence and effectiveness of fiscal measures. In addition, it plays a key role in ensuring that member countries comply with the limits set by the IMF, including maximum budget deficits and public debt ceilings. This approach is aimed at ensuring financial system stability and economic resilience in Europe. Through interaction and the setting of standards of fiscal discipline, the European Fiscal Council contributes to the effective functioning of fiscal policy in the EU.

The European Commission also issues tax directives to harmonize approaches to taxation across the EU. These documents regulate aspects such as income taxation, consumption taxes and other fiscal aspects. They help to avoid double taxation and ensure internal consistency in fiscal matters. These legal instruments are the basis for the functioning of the EU's single fiscal system. They ensure coordination of economic and fiscal policies between member states and contribute to financial stability and economic growth in the region.

The EU uses a wide range of fiscal instruments to stimulate economic development, ensuring the sustainability and competitiveness of its members. The key aspects of fiscal instruments are tax rates, financial incentives, and financial support mechanisms. The EU defines common principles for the tax systems of its member states, aimed at creating a more competitive and stable economic environment. Tax rates within the EU play an important role in determining the level of taxation of various types of income, corporate profits and other fiscal parameters. These rates can be used as a means to stimulate economic activity and investment, as well as to ensure equilibrium in the fiscal systems of member states. Table 1 shows the main tax rates in EU countries. The choice of countries is based on their diversity in terms of economic development, fiscal policies and socio-economic conditions.

Table 1. Rates of basic taxes in EU countries

Country	Personal income tax	VAT	Income tax
France	Progressive: from 14 to 45%, deposits and dividends – 12.8%	20%, discount – 5.5%	31%
Germany	Progressive: from 14 to 45%, deposits and dividends – 25%	19%, preferential – 7%	29.89%
Spain	Progressive: from 9.5 to 22.5%, deposits and dividends – 19%	21%, preferential – 10%	25%
Norway	Progressive: from 12 to 38.2% deposits and dividends – 16%	25%, preferential – 12%	23%
Romania	10% deposits – 10% and dividends – 5%	19%, preferential – 9%	16%
Poland	Progressive: 18 and 32%, deposits and dividends – 19%	23%, preferential – 8%	19%
Hungary	15% deposits and dividends – 15%	27%, preferential – 5%	9%

Source: developed by the authors based on EU Tax Data (2024)

The EU recognizes the importance of tax competition and transparent rules to attract investment. Countries that successfully apply this principle can attract more investment and promote economic growth by reviewing their corporate tax system and attracting international companies through low tax rates (Dourado, 2018). Fiscal incentives are a key component of EU fiscal policy to support strategic sectors and initiatives. The NextGenerationEU Fund is an important instrument of EU fiscal policy aimed at stimulating economic recovery and development after the COVID-19 pandemic. Its creation is part of a larger recovery plan that provides significant financial resources to support strategic sectors and initiatives. The Fund is used to finance projects in the areas of green technologies, digital transformation, and sustainable development. These investments are aimed at stimulating innovation and increasing efficiency in areas that are strategically important for the EU's future. From a fiscal point of view, the fund functions as a large-scale financing instrument to support economic recovery and reforms.

It is planned to raise significant amounts of money through the issuance of long-term bonds in the market, making the EU one of the most important participants in the euro-denominated debt market. Specifically, according to the European Commission's plans, it is planned to raise up to EUR 806.9 billion over the period 2021-2026. This approach makes it possible to provide significant financial resources for the implementation of strategic projects and reforms aimed at supporting economic growth and sustainable development. The structure of investments under the NextGenerationEU fund is shown in Figure 1, where 90% is allocated to the Recovery and Resilience Facility and 10% is allocated to other programmes.

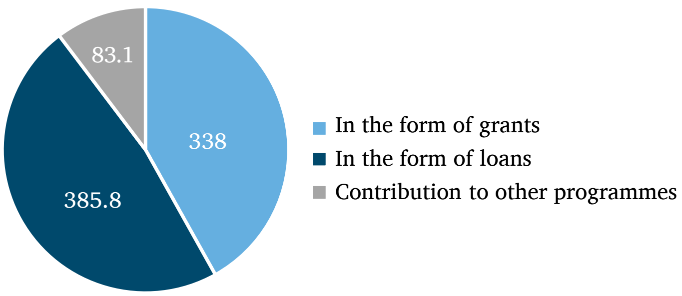

Figure 1. Investments with the help of NextGenerationEU funds, billion euros
Source: developed by the authors based on data from NextGenerationEU (2024)

This amount includes up to €250 billion for the issuance of green bonds. The money raised from the bonds will help the EU overcome the immediate challenges of recovery and accelerate the transition to a green economy and the digitalization of the European economy. Member states can use the Recovery and Resilience Facility for specific projects aimed at strengthening the digital sphere of the economy and society. This includes initiatives to develop e-government, digital education, support for innovative technologies, and other measures to stimulate digital development. For example, in 2022, €127 billion was allocated for digital reforms and investments in national recovery and resilience plans. Some countries have exceeded the mandatory 20% threshold by allocating 26% of the Recovery and Resilience Facility to digital transformation. Other member states, including Austria, Germany, Luxembourg, Ireland, and Lithuania, have invested more than 30% of their allocations in digital technologies (Androschuk, 2023).

EU fiscal instruments play a critical role in supporting economic development and sustainability. Aimed at stimulating investment, innovation and strategic initiatives, they help create a favourable economic environment. Properly targeted fiscal instruments can have a significant impact on economic development in the region. EU countries use a variety of fiscal measures to support the small and medium-sized enterprise (SME) sector, aimed at stimulating entrepreneurship and promoting innovation. One of the most effective measures is to reduce the tax burden on SMEs. For example, Ireland implements a progressive taxation system, where tax rates increase in proportion to the size of the enterprise. This allows smaller businesses to compete more effectively in the market and provides additional resources for their development (Brauers & Oei, 2020). In addition, many EU countries provide grants and financial support for SMEs through various programmes. The Just Transition Fund in Poland allocates financial resources to support enterprises in regions undergoing structural changes due to economic recovery. The Fund provides financial support for the adaptation of regions to structural changes and influences the allocation of fiscal resources to achieve strategic goals in the field of sustainable development. The Just Transition Fund in Poland goes through a budgetary process where the sources of funding and the allocation of funds to various programmes and initiatives are approved. This procedure also includes public discussions, approval, and monitoring of the use of funds in accordance with approved budget plans and strategies (Song *et al.*, 2020).

In addition, fiscal measures should promote innovation in SMEs. Germany has a tax credit programme aimed at supporting innovative projects in the SME sector. This initiative provides financial support to enterprises that develop innovative ideas and technologies, helping to increase their competitiveness in the market. These loans enable enterprises to finance new projects and conduct research and development, which helps to increase their scientific and technological potential (Khudolei *et al.*, 2021). This set of measures contributes to the sustainable development of small and medium-sized enterprises in the EU. The implementation of stimulus fiscal policies faces a number of challenges and obstacles that are important to consider when designing and implementing such measures. First, fiscal constraints may make it difficult to finance stimulus measures, especially for countries with large fiscal deficits or public debt. Countries with high levels of debt may be forced to limit the amount of investment in stimulus programmes due to a lack of financial resources. In particular, Southern European countries such as Greece and Italy have traditionally faced high debt levels. In 2010, Greece asked international creditors for financial assistance due to severe debt problems (Khudolei *et al.*, 2021). Political opposition can also complicate fiscal initiatives due to divergent views on the best measures. For example, party or ideological differences can lead to difficulties in adopting and implementing stimulus measures, even if they may be beneficial for the economy.

Tax competition between EU countries affects the effectiveness of measures, as countries try to attract and retain businesses by offering low tax rates. One example of this effect can be found in Ireland. This country has introduced low tax rates, in particular, corporate income tax, which is significantly lower compared to other EU countries. This approach has become one of the key factors that have attracted multinational companies and investors to the country. Many multinationals chose to locate their headquarters or operating units in Ireland, where tax liabilities were lower compared to other European countries. This has led to challenges in the tax bases of other countries, as business flows to countries with more favourable tax conditions. In order to ensure a level playing field and competitiveness, EU countries may need to coordinate measures to avoid destabilizing the regional economic situation and losing tax revenues (Mazzanti *et al.*, 2020).

Careful planning and consideration of all factors, including political, economic and budgetary, is essential for the successful implementation of stimulus fiscal policies. To achieve maximum effectiveness, a set of strategies is needed that covers various aspects of fiscal policy and takes into account current challenges and opportunities:

1. Firstly, diversification of funding sources is important. Considering the current state of the economy, it is possible to highlight the importance of attracting the private sector. Public-private partnerships and capital market investments can provide additional resources for the implementation of key projects. For example, successful public-private partnerships in the EU, such as infrastructure projects, demonstrate that private capital can be used effectively to jointly achieve strategic goals. It is necessary to develop standards and regulations for the involvement of the private sector in the implementation of incentive programmes, as well as to establish mechanisms to guarantee transparency and accountability in the relations between the public and private sectors.

2. The second area is political coordination. Ensuring unity in political decisions on fiscal issues is an important prerequisite for the successful implementation of strategies. A broad political consensus can reduce the risk of unexpected changes and promote sustainable development. Cooperation among EU member states, for example in establishing a common fiscal policy strategy, can ensure consistency and stability in the region. Establishing a common fiscal policy strategy in the EU may require additional agreements and regulations to ensure consensus among member states. To propose the establishment of a body to coordinate fiscal strategies of the member states and introduce mandatory consultation mechanisms, and to define the role of national bodies.

3. Flexible fiscal instruments provide for the possibility of rapid and effective changes in fiscal policy in line with changes in economic conditions. For example, regular updates of tax rates, the use of tax refunds and other incentives can serve as tools to deal with economic challenges such as recession or inflation. The implementation of flexible fiscal instruments allows EU countries to respond effectively to unexpected circumstances and support the economy. Establish procedures and criteria for rapidly changing tax rates and other fiscal instruments depending on economic circumstances. Establish standards for regular updates of tax rates and mechanisms for responding to economic changes, and involve fiscal policy authorities in the preparation of national-level mechanisms.

4. Another key component of an effective fiscal policy is to stimulate innovation and digital transformation. Tax incentives for research and development, investment in digital technologies, and other measures can serve as an incentive for companies to innovate and modernize. For example, tax incentives for companies that implement green technologies contribute to the transition to a sustainable economy. The introduction of tax benefits and incentives for companies that actively implement innovative technologies may require regulatory regulation and clarification of tax legislation. It is necessary to develop a unified system of tax incentives for innovations and create criteria for their receipt, and involve national authorities in the implementation of programmes and incentives.

5. Socially oriented policy is the fifth important area. It includes measures aimed at supporting small and medium-sized enterprises. For example, the possibility of tax credits or privileges for SMEs can help them grow and create new jobs. Fiscal measures can also include social

programmes aimed at reducing inequalities and ensuring social stability. The development of tax instruments to support SMEs may require changes to tax legislation and the creation of mechanisms for accessing tax credits. Mechanisms for creating and using a fund for socially-oriented activities should be defined, and national governments should be encouraged to participate in the fund.

6. Synchronization of fiscal policy with other economic policies, such as monetary policy and structural reforms, is important for a comprehensive approach to development. Coordination of measures allows for synergies and positive interactions between different areas of economic activity, improving the overall state of the economy. Define mechanisms for coordinating fiscal policy with other elements of economic policy, and establish regulations for joint responses to challenges. Establish standards for jointly combating tax dumping between member states, and involve public administration in this process.

7. An effective monitoring and evaluation system is the last but not the least important aspect. Continuous updating of strategies based on collected data allows adapting fiscal policy to changes in socio-economic conditions and maximizing the effectiveness of measures. Monitoring systems can also serve as a tool for identifying the need for new measures and adjusting strategies to achieve the set goals. It is also necessary to develop a unified monitoring and evaluation system at the EU level, and to introduce national reporting systems in line with European standards.

Integration of these strategies into a single set will allow the EU to maximize the potential of stimulus fiscal policy and ensure sustainable economic development in the region.

Discussion

The results of the study of fiscal policy in the EU point to a number of key aspects that determine the effectiveness and impact of these strategies on the economic development of the region. A look at tax rates in different EU countries shows a variety of approaches. Countries with high taxation may face large budget revenues, but at the same time, this can have an impact on the business environment. This aspect highlights the need for a balance between securing the necessary budgetary resources for the government and creating a favourable business climate. The ability to ensure an optimal balance between the tax burden and business incentives that promotes sustainable economic development becomes important.

The study highlights the importance of supporting small and medium-sized enterprises and implementing social programmes in the context of EU fiscal policy. Measures aimed at these target groups demonstrate great potential for stimulating economic development and social growth in the region. Special tax benefits, access to financial resources and other incentives for SMEs can contribute to their growth and competitiveness. Socially-oriented policy, in turn, is determined by the implementation of programmes and measures aimed at supporting citizens. The implementation of such programmes reduces social risks, improves the quality of life and social well-being. Countries with effective social policies can see the benefits of economic growth extend through reduced inequalities and increased social inclusion.

Allocating financial resources to green technologies and innovation is another important area of fiscal policy. This includes the allocation of funds for the development and implementation of energy efficient technologies, renewable energy sources and other environmentally friendly innovations, grants for technology start-ups and other forms of financial assistance. This stimulates the development of innovative products and services, ensures the competitiveness of European companies in the global market, and contributes to the fight against climate change and ensures the sustainability of the economy in the face of growing environmental pressure (Shubalyi *et al.*, 2023).

In their study, K. Bańkowski *et al.* (2021) analysed in depth the impact of flexible fiscal instruments on the EU economy. Their study highlights the importance of fiscal policy adaptability to economic changes. The authors' analysis reveals how such flexibility allows the state to maintain economic stability, ensuring the efficient development of enterprises and avoiding serious economic crises. The mechanisms of flexibility are considered, including the speed and ease of changing tax rates and other fiscal policy instruments. An important aspect of their work is to demonstrate how changing fiscal parameters can be an effective tool in the hands of the state to adapt to unfavourable conditions and maintain economic resilience in an uncertain environment. The authors' findings, like the research above, highlight the importance of adaptability in the current environment and point to specific ways to improve the flexibility of fiscal instruments to support the stability and efficiency of the EU's economic development. The flexibility of fiscal policy allows for the rapid implementation of measures aimed at supporting businesses and households, which contributes to a faster economic recovery (Yara *et al.*, 2023).

The work of Y. Peng and C. Tao (2022), in turn, analyses the role of fiscal policy in stimulating innovation and digital transformation, drawing attention to the importance of tax incentives for companies that actively implement new technologies. The researchers examine in detail the mechanisms of these privileges and their impact on the development of the modern sector of the economy and strengthening international competitiveness. They consider examples where the introduction of such incentives has led to the stimulation of innovative development and the active introduction of digital technologies. Tax incentives may include lower tax rates for technology companies, increased depreciation deductions for equipment, or tax credits for research and development expenses (Babenko *et al.*, 2023). It should be noted that such an approach not only helps to create a favourable environment for innovation, but also encourages companies to actively implement modern technologies. In particular, this may include the development of new products, the introduction of production innovations, and the strengthening of digital infrastructure. The authors' work serves as an important addition to the general understanding of how fiscal instruments can be effectively used to support innovation and stimulate digital transformation in the modern world.

In addition, in their study, F. Bartolacci *et al.* (2020) draw attention to the importance of socially oriented fiscal policy and its impact on small and medium-sized enterprises. The authors take an in-depth look at the fact that the implementation of social programmes can have additional benefits for the economy, in addition to reducing social risks. Implementing social programmes, such as simplified taxation for SMEs, tax credits or grants for job creation, can stimulate the business environment and contribute to its sustainable growth (Roshylo, 2023). The authors provide examples of countries where socially-oriented measures have already led to positive results. For example, the introduction of support programmes for SMEs in the EU has led to an increase in the number of new businesses and jobs. The authors' findings, as well as the research above, underscore the idea that socially-oriented measures are important for supporting businesses and civil society in general. Such a coherent understanding of the situation adds weight and credibility to the discussion of fiscal strategies in the EU.

The paper by V. Gaspar *et al.* (2019), in turn, analyses in depth the interaction of fiscal policy with other elements of economic strategy. The authors emphasize the importance of close coordination of various policy aspects, including monetary policy and structural reforms. The focus of the paper is on how such coordination can lead to a comprehensive and effective impact on the region's economy. The authors focus on the idea that improved interaction between different economic policies allows for a balanced and complementary system of measures aimed at supporting economic growth. This approach makes fiscal policy more effective as it interacts with other components of the economic system to achieve the overall goal of stability and development. The results of the authors' research indicate similar approaches and emphasis in the study of fiscal policy. As in the study above, the importance of coordinating fiscal policy with other elements of the economic strategy is emphasized to achieve a comprehensive and effective impact on the region's economy.

The study by H. Chenet *et al.* (2021) focuses on the importance of a monitoring and evaluation system in the context of fiscal policy. The authors analyse how the constant updating and adaptation of strategies based on monitoring results can determine the effectiveness of fiscal measures and help to respond quickly to changes in the economic environment. A monitoring system can serve as a key tool for determining the success of fiscal strategies in real time. They emphasize that the appropriate use and analysis of data allows not only effectively adjusting current strategies, but also maximizing the positive impact of fiscal measures on the economy. In the context of a rapidly changing economic environment, an effective monitoring and evaluation system becomes a key tool for adapting and optimizing fiscal policy. This aspect can be defined as one of the important elements for achieving sustainable economic development.

Overall, the authors' research provides a comprehensive and exhaustive overview of various aspects of fiscal policy in the EU context. Their conclusions point to the importance of careful analysis and adjustment of the various components of fiscal strategies to achieve sustainable economic development. The success of fiscal strategies depends not only on individual measures, but also on their interaction as part of a comprehensive approach. Adaptation to changes in the economic environment is a key aspect of efficiency. An important element is also the systematic monitoring of results, which allows for a prompt response to changes and optimization of fiscal measures.

Conclusions

This study examines various aspects of stimulus fiscal policy and its role in economic development, particularly in the EU context. The findings of the analysis point to the importance of tax policy, budget expenditures, social programmes and support for domestic demand. Reducing income and corporate taxes helps stimulate consumption and investment, contributing to overall economic growth. Increased fiscal spending on infrastructure and social sectors contributes to stability and development, while support for domestic demand, including increased consumer spending, could be key to a recovery in economic growth.

An overview of the legal framework shows that the Treaty on the Functioning of the EU and the Statute of the European Central Bank define the principles of economic policy coordination and budgetary management. In particular, Article 126 of the Treaty sets out requirements for limiting budget deficits and debt of EU member states. The European Fiscal Council plays a key role in enforcing the rules and limits, ensuring the coordination and effectiveness of fiscal measures in the Euro area. The European Community uses a wide range of fiscal instruments to stimulate economic development and support its members. The importance of fiscal measures, such as tax rates, financial incentives, and support mechanisms, is determined by their impact on taxation, economic activity and the ability of countries to achieve sustainable financial development. One of the key instruments of the EU's fiscal policy is the NextGenerationEU Fund, which aims to stimulate economic recovery and development after the COVID-19 pandemic. It emphasizes the importance of a harmonious combination of different aspects of fiscal policy to achieve optimal results in maintaining economic resilience and social well-being in the EU. The combination of concepts and strategies enshrined in regulatory acts sets the course for sustainable development and competitiveness in the region. Integrating the strategies into a single framework will allow the EU to maximize the potential of stimulus fiscal policy and ensure sustainable economic growth.

Further research could focus on analysing the impact of new technologies and digital transformation on fiscal strategies. The socio-economic impact of fiscal decisions on different categories of the population and businesses could also be investigated.

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Conflict of interest

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Правові засади стимулюючої фіскальної політики в ЄС

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Анотація. Актуальність проведення дослідження полягає в тому, що в реаліях сучасної економічної динаміки та трансформації соціально-економічних систем країн ЄС, правові засади стимулюючої фіскальної політики стають ключовим інструментом для відновлення економічного зростання, підтримки підприємств та забезпечення стійкої соціальної справедливості. Мета даного дослідження полягає у систематизації та аналізі конкретних правових інструментів та положень, які лежать в основі стимулюючої фіскальної політики в країнах ЄС. Серед використаних методів було застосовано аналітичний метод, статистичний метод, функціональний метод, метод системного аналізу, метод дедукції, метод синтезу та метод порівняння. В процесі дослідження було вивчено різноманітні аспекти фіскального регулювання, яке спрямоване на підтримку економічного розвитку та соціальної стабільності в ЄС. В основі дослідження лежить аналіз податкових механізмів, фінансових інструментів та бюджетних стратегій, які використовуються для стимулювання певних аспектів економіки. Зокрема, розглядався вплив податкових звільнень і пільг на підприємництво та інвестиційну активність, аналізувалась ефективність фіскальних заходів щодо підтримки малих та середніх підприємств в таких кранах, як Ірландія, Польща, та Німеччина. Також вивчались новітні ініціативи ЄС щодо стимулювання інновацій та зелених технологій, враховуючи їхні правові та фінансові аспекти. Виділено основні виклики та перешкоди, що виникають у процесі впровадження стимулюючих фіскальних політик, і визначено можливі шляхи подолання цих труднощів. Дослідження також звертає увагу на взаємодію між фіскальною політикою та іншими сферами законодавства, такими як соціальна та екологічна політика, зокрема, в контексті досягнення цілей сталого розвитку. Практичне значення даного дослідження полягає у наданні конкретних рекомендацій для урядів країн ЄС щодо оптимізації правових та фіскальних інструментів, спрямованих на стимулювання економічного розвитку, інновацій та соціальної стабільності

Ключові слова: економічне зростання; соціальна стабільність; «зелені» технології; стратегічне управління; глобальні виклики