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# The Impact of Tax Incentives on Regional GDP Growth: A Systematic Literature Review

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**Research aims:** This study aims to evaluate the effectiveness of tax incentives as a fiscal policy tool for stimulating regional economic growth. Specifically, it addresses the extent of their impact on GDP, identifies the most effective types of incentives, and compares their efficacy between developed and developing nations.

**Design/Methodology/Approach:** Following the PRISMA 2020 guidelines, a Systematic Literature Review (SLR) was conducted using the Scopus database. The search strategy focused on the intersection of tax incentives, regional-level analysis, and economic growth outcomes. After a rigorous screening of 147 records based on document type, language, and open-access availability, 35 empirical articles were selected for qualitative synthesis.

**Research findings:** The synthesis reveals that tax incentives generally serve as a positive catalyst for regional economic performance by reducing the cost of capital and boosting Total Factor Productivity (TFP). Value-Added Tax (VAT) reforms and Special Economic Zones (SEZs) were identified as the most effective instruments. However, the study also found that effectiveness is not universal; negative outcomes can occur due to resource misallocation and rent-seeking when governance is weak.

**Theoretical contribution/Originality:** This research contributes to the fiscal policy literature by synthesizing global evidence into a clear dichotomy of impact. It clarifies that while tax incentives in developing economies act as "growth accelerators" with high marginal returns, they function as "allocative precision tools" in developed economies to address spatial disparities or niche sectors like green energy.

**Practitioner/Policy implication:** Policymakers in developing nations should prioritize structural reforms, such as VAT input credit mechanisms, over temporary tax holidays to ensure long-term investment. For developed nations, the focus should remain on place-based policies while rigorously monitoring "deadweight loss" to prevent the mere displacement of economic activity.

**Research limitation/Implication:** The study is limited by its reliance on Scopus-indexed, English-language, and open-access articles. The methodological heterogeneity of the included studies also precluded a formal meta-analysis. Future research should utilize longitudinal data to compare the long-term fiscal sustainability of VAT reforms versus traditional tax holidays.

**Keywords:** Tax Incentives, Regional GDP, Economic Growth, Systematic Literature Review, PRISMA, Developing vs. Developed Countries.

## Introduction

Tax incentives have emerged as a cornerstone of fiscal policy, utilized by governments worldwide to stimulate regional economic growth. The fundamental rationale behind these policies is rooted in two primary economic perspectives: supply-side economics and Keynesian theory. Supply-side proponents argue that tax reductions lower the cost of capital, thereby incentivizing investment, innovation, and productivity (Hulten, 1984), (Zellner & Ngoie, 2015). Conversely, Keynesian theory emphasizes the demand-side impact, suggesting that tax cuts bolster disposable income and consumption, which subsequently drives aggregate demand and regional expansion (Garfinkle, 2005).

Despite their popularity, the empirical impact of tax incentives on Regional Gross Domestic Product (GDP) remains a subject of intense academic debate. On one hand, studies indicate that specific measures, such as a 10% reduction in effective tax liability, can enhance industrial value-added by up to 5.3% (Funderburg et al., 2013). Furthermore, targeted instruments like R&D tax credits and investment allowances have demonstrated significant success in fostering technological advancement and long-term capital formation (Wang et al., 2024). However, a contrasting body of literature warns of a "race to the bottom," where aggressive tax competition among regions leads to inefficient resource allocation and "tax leakage," ultimately undermining the state's ability to provide essential public services ((Liard-Muriente, 2007); (Mast, 2018);(Thom, 2018).

The effectiveness of these fiscal tools is not uniform and is heavily contingent upon the broader economic and institutional context. Evidence suggests that tax incentives tend to yield higher returns in regions with favorable initial conditions, such as lower unemployment and robust infrastructure(Helms, 1985); (Bania et al., 2007). A critical divergence is also observed between developed and developing nations. In developed economies, strong governance and institutional quality complement tax incentives, making them highly effective. In contrast, in developing countries, the potential benefits of tax breaks are often negated by inadequate infrastructure, high levels of corruption, and policy uncertainty(Abramovsky et al., 2014) (Thanh & Canh, 2020).

Given these conflicting findings and the complexity of regional economic dynamics, there is a pressing need for a systematic synthesis of existing literature. This study aims to provide a comprehensive Systematic Literature Review to evaluate the impact of tax incentives on regional GDP growth. Specifically, this research addresses three key questions:

RQ1: To what extent do tax incentives affect regional GDP growth?

RQ2: Which types of tax incentives consistently demonstrate the most significant positive effects?

RQ3: Is there a difference in effectiveness of tax incentives on regional GDP growth between developing and developed countries?

By synthesizing global evidence, this paper seeks to clarify the conditions under which tax incentives serve as an effective engine for regional development versus when they become a fiscal burden.

## Research Method

### 2.1. Research Design

This study employs a Systematic Literature Review (SLR) approach, adhering to the guidelines of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses

(PRISMA) 2020 statement. This method was selected to ensure transparency, replicability, and objectivity in mapping empirical evidence regarding the impact of tax incentives on regional economic growth.

## 2.2. Data Source and Search Strategy

The literature search was conducted using the Scopus database in [Insert Month & Year of Data Retrieval]. Scopus was selected due to its curated content and extensive coverage of high-impact journals in the fields of economics and public policy. The search strategy utilized Boolean operators (AND, OR, NOT) to synthesize three primary concepts: (1) Intervention (Tax Incentives), (2) Population (Regional/Sub-national Level), and (3) Outcome (GDP/Economic Growth).

The specific search string applied to the document metadata (Title, Abstract, and Keywords) is as follows:

Search String: TITLE-ABS-KEY ( ( "tax incentive\*" OR "fiscal incentive\*" OR "tax holiday\*" OR "tax exemption\*" OR "tax break\*" OR "tax relief" OR "tax credit\*" OR "investment allowanc\*" OR "corporate tax reduction\*" OR "special economic zone\*" OR "place-based polic\*" ) AND ( "regional" OR "provincial" OR "sub-national" OR "subnational" OR "state-level" OR "local econom\*" OR "territorial" OR "municipal\*" ) AND ( "GDP" OR "gross domestic product" OR "regional output" OR "gross regional product" OR "GRP" OR "GSP" OR "productivity" OR "capital accumulation" ) ) AND NOT ( "carbon tax" OR "environmental tax" OR "sin tax" OR "personal income tax" ) AND NOT TITLE ( "review" OR "literature review" OR "systematic review" OR "meta-analysis" OR "bibliometric" OR "overview" ) AND NOT DOCTYPE ( re )

## 2.3. Inclusion and Exclusion Criteria

To ensure the quality and relevance of the selected studies, inclusion and exclusion criteria were applied incrementally using the database's filtering tools and through manual verification. The criteria are as follows:

Document Type: The selection was strictly limited to Journal Articles to ensure the data originated from original empirical research. Reviews, Conference Papers, and Book Chapters were excluded.

Language: Only articles published in English were included.

Accessibility: The search was limited to Open Access (OA) articles to guarantee full-text availability for in-depth analysis.

Final Verification: Articles that were inaccessible (paywalled) or contained broken links during the manual retrieval stage—despite being labeled as OA in the metadata—were excluded.

# Result and Discussion

## 3.1. Search Results and Selection Process

The literature selection process is detailed in the PRISMA Flow Diagram (Figure 1). The initial search on the Scopus database yielded a total of 147 records.

The first phase of screening was conducted based on automatic inclusion criteria. A total of 39 records were excluded as they did not meet the document type criteria (limited to Article), leaving 108 records. Subsequently, language screening eliminated 12 non-English

records, reducing the count to 96. In the accessibility screening phase, the restriction to Open Access significantly reduced the volume by eliminating 54 closed-access records, resulting in 42 potential articles.

The second phase involved a manual full-text eligibility assessment. At this stage, 7 articles were excluded because they required payment (restricted access) or had invalid download links, despite their initial Open Access index. Consequently, a final total of 35 articles met all eligibility criteria and were included in the qualitative synthesis.

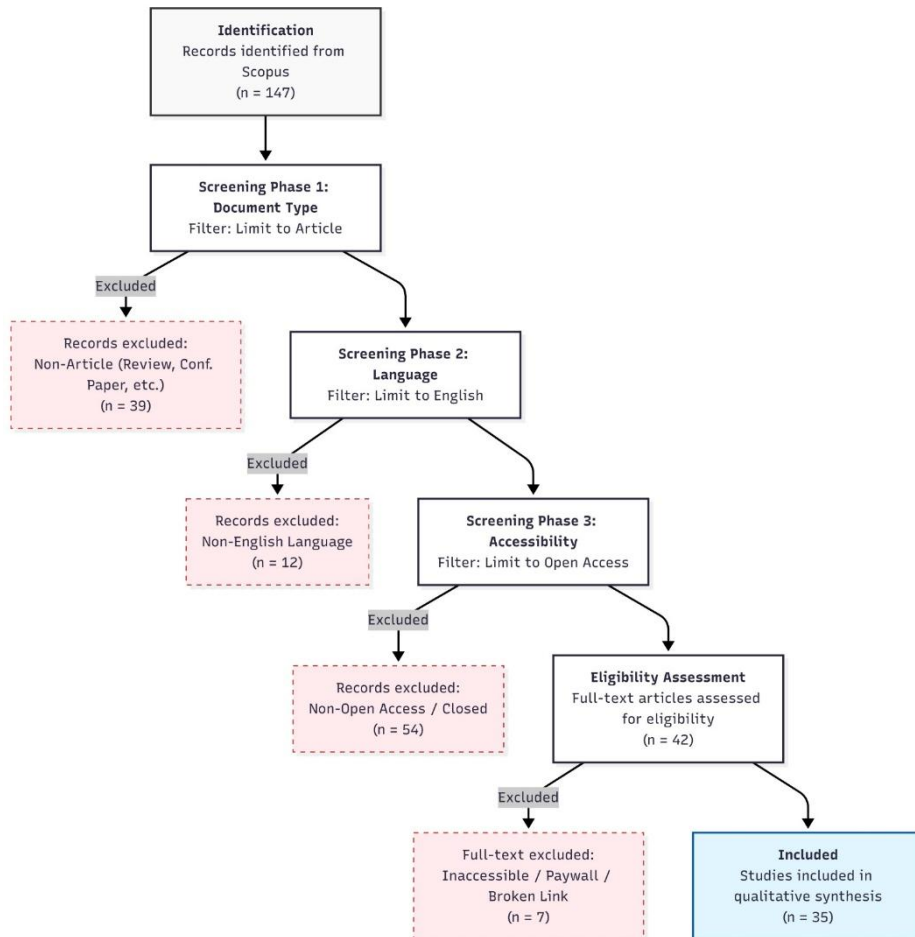


Figure 1 PRISMA Diagram

### 3.2. Data Extraction and Synthesis Matrix

Following the selection process, the 35 included articles were subjected to a systematic data extraction procedure. The extraction focused on key variables aligned with the research questions: (1) the specific type of tax incentive utilized, (2) the direction of the impact on regional economic indicators (Positive, Negative, Insignificant, or Inconclusive), and (3) the country context (Developed vs. Developing).

Table 1 presents the synthesis matrix of the included studies. The analysis reveals a diverse range of incentives, ranging from corporate income tax holidays to specific investment tax credits (ITC) and place-based policies such as Special Economic Zones (SEZs).

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**Table 1.** Synthesis Matrix of Tax Incentives and Regional Economic Growth

No	Study (Year)	Country Context	Tax Incentive Type	Impact Direction	Key Findings / Mechanism
1	<i>Work, places and industries in the post-COVID-19 economy</i> (Barzotto et al., 2025)	Developed	Co-working Space Tax Incentives	<b>Inconclusive</b>	Tax incentives are mentioned as a tool to support the viability of co-working spaces in remote regions to foster balanced regional development.
2	<i>VAT Reform, Regional Ownership Structure, and Industrial Upgrading</i> (Shi et al., 2022)	Developing	VAT Investment Tax Credit (17%)	<b>Positive</b>	VAT reform significantly promoted industrial upgrading and productivity, though the effect was suppressed in regions dominated by SOEs.
3	<i>Transitions of Carbon Dioxide Emissions in China</i> (Chen et al., 2025)	Developing	-	<b>N/A</b>	Focuses on CO2 emission patterns and energy investment; no direct measurement of tax incentive impact on GDP.
4	<i>The role of territorial capital in... Podkarpackie Voivodeship</i> (Dabrowska & Szlachta, 2017)	Developed	-	<b>N/A</b>	Focuses on social and relational capital in Poland; does not analyze specific fiscal tax incentives.
5	<i>Corporate innovation under strict market regulation</i>	Developing	-	<b>N/A</b>	Focuses on the impact of the new securities law on corporate innovation, not

	(Huang, 2025)				regional tax incentives.
6	<i>The response of regional well-being to place-based policy</i> (Ferrara et al., 2022)	Developed	Regional Transfers (EU Cohesion)	<b>Positive</b>	EU regional policy interventions generally lead to higher well-being growth, with variations based on development levels.
7	<i>The effect of spatial distribution on the... middle social class</i> (Derouez et al., 2023)	Developing	-	<b>Positive</b>	Analyzes spatial inequalities; finds positive spatial effects of human capital accumulation but does not test tax incentives.
8	<i>The Impact of Place-Based Policies on Firm Performance</i> (Zhou & Liu, 2023)	Developing	Corp. Income Tax Reduction (15%)	<b>Positive</b>	The Great Western Development Strategy (GWDS) increased TFP by 11-13% via reduced tax rates and human capital investment.
9	<i>Subnational Determinants of FDI in the Russian Federation</i> (Yukhanaev et al., 2014)	Developed*	SEZ Incentives	<b>Positive</b>	Government incentives and Special Economic Zones (SEZs) have a significant positive impact on the regional distribution of FDI.
10	<i>Strategy development for domestic water use reduction in SEZ</i> (Suksaroj et al., 2024)	Developing	SEZ (General)	<b>N/A</b>	Focuses on water management strategies within the Eastern Economic Corridor (EEC), not economic growth impacts.

11	<i>Socio-economic... drivers of unsustainable local land use</i> (Getzner et al., 2025)	Developed	-	<b>Positive</b>	Discusses fiscal drivers of land consumption but does not quantify the impact of tax incentives on GDP growth.
12	<i>SME growth and economic inefficiency... in monocities</i> (Lee et al., 2025)	Developing	Green Tax Breaks	<b>Positive</b>	Recommends tax incentives for SMEs adopting green technologies to boost the local economy and create jobs.
13	<i>Regional structural change in Argentina</i> (Niembro & Calá, 2024)	Developing	-	<b>N/A</b>	Historical analysis of structural change; predates the focus period and specific tax incentive analysis.
14	<i>Predictors of WIC uptake among low-income pregnant individuals</i> (Collin et al., 2023)	Developed	Earned Income Tax Credit (EITC)	<b>Positive</b>	Analyzes EITC impact on social uptake; finds positive associations in pre-2009 periods but mixed results later.
15	<i>Philippine industrial policy journey</i> (Aldaba, 2024)	Developing	Tax Holidays / CREATE Act	<b>Positive</b>	The CREATE Act provides tax holidays and deductions (R&D, labor) to transform the economy and support industrial policy.
16	<i>On the optimal design of place-based policies</i> (Blouri & Ehrlich, 2020)	Developed	Local Tax Exemptions	<b>Positive</b>	Analyzes optimal design of place-based transfers and tax exemptions; finds they can improve welfare and productivity.

17	<i>Management of Industrialization... Strategic Dimension (2025)</i> (Prokhoro et al., 2025)	Developing	Tax Breaks / Incentives	<b>Positive</b>	Proposes tax incentives as a strategic instrument to foster reindustrialization and state support for development.
18	<i>Effects of Tax Incentive Policies for Land Use...</i> (Chung & Yoon, 2023)	Developed	Acquisition & Property Tax Relief	<b>Positive</b>	Tax incentives for urban regeneration projects positively contributed to an increase in Gross Regional Domestic Product (GRDP).
19	<i>Integrating the Cross-Border Industrial Chain</i> (Feng et al., 2025)	Developing	Tax Reduction Policies	<b>Inconclusive</b>	Tax reduction is a necessary condition for investment, but the direct causal link to regional GDP is not the primary focus.
20	<i>Informing macrologistics connectivity.. . Uzbekistan</i> (Simpson, 2024)	Developing	SEZ Tax & Admin Incentives	<b>Positive</b>	SEZs supported by tax arrangements encourage FDI and industrial development, though logistics costs remain high.
21	<i>Impact of Government Open Data...</i> (Guliyev et al., 2025)	Developed	R&D Tax Credits	<b>Positive</b>	Tax incentives for R&D create a favorable environment for startups and innovation, contributing to economic growth.
22	<i>Environmental Sensitivity Index Assessment</i> (Thu et al., 2025)	Developing	-	<b>N/A</b>	Focuses on environmental sensitivity mapping for oil spills; no economic tax incentive analysis.

23	<i>Place-Based Policies and Carbon Emission Efficiency</i> (Wen et al., 2023)	Developing	Place-based Policies (General)	<b>Insignificant</b>	Focuses on carbon efficiency; does not find a significant direct link between the policies and broad economic growth in this context.
24	<i>How Digital-Economy Policy Boosts TFP</i> (Yu et al., 2025)	Developing	Tax Refunds & Digital Credits	<b>Positive</b>	Tax incentives account for one-quarter of the total effect of digital economy policies on Total Factor Productivity (TFP).
25	<i>State earned income tax credits and general health</i> (Morgan et al., 2020)	Developed	Earned Income Tax Credit (EITC)	<b>Positive</b>	Focuses on health outcomes, but notes EITC's role in household income support, indirectly supporting economic stability.
26	<i>Export dynamics, exchange rate volatility...</i> (Sein & Sah, 2025)	Developing	Export Incentives	<b>Inconclusive</b>	Mentions tax incentives as a policy to facilitate exports, but the model focuses on exchange rates and inflation.
27	<i>EU cohesion policy as a requirement to... development</i> (Szlachta, 2017)	Developed	-	<b>N/A</b>	qualitative discussion on EU Cohesion policy requirements; no specific tax incentive impact measured.
28	<i>Building a Sustainable Future: Eco-Friendly Homes</i> (Koengkan et al., 2023)	Developed	Green Tax Relief	<b>Positive</b>	Tax relief encourages investment in energy-efficient technologies, boosting household income and local

					economic development.
29	<i>Human Capital Spillovers from Special Economic Zones</i> (Lu, 2022)	Developing	SEZ Income Tax (15-24%)	<b>Positive</b>	SEZs contribute to regional productivity in both hosting and neighboring counties via human capital spillovers.
30	<i>Economic Development Strategies: Taxes...</i> (Patrick, 2023)	Developed	Job & Investment Tax Credits	<b>Positive</b>	Classifies development strategies; finds that high-incentive strategies can relate to real GDP per capita growth depending on the mix.
31	<i>Do regional tax incentive policies improve productivity?</i> (Zhao et al., 2024)	Developing	VAT Reform / Regional Incentives	<b>Negative</b>	Found that certain regional tax incentives failed to promote endogenous growth and negatively impacted productivity.
32	<i>Does complementarity matter for the emergence...</i> (Kutsenko et al., 2023)	Developed	SEZ (Industrial/Logistics)	<b>Positive</b>	SEZs are considered as a factor for the emergence of new specialization industries, showing a positive link.
33	<i>Development of Assessment... of the Tax Privilege</i> ((Bezrukova et al., 2015)	Developed	R&D Tax Privilege	<b>Positive</b>	Introduction of tax benefits caused a 3.32% increase in total performed R&D, though effectiveness varies by region.

34	<i>A place-based system? Regional policy levers...</i> (Tilley et al., 2023)	Developed	-	N/A	Discusses governance and policy levers in the UK but does not provide empirical tests on specific tax incentives.
35	<i>Analysis of healthcare resource allocation...</i> (Huang et al., 2025)	Developing	-	N/A	Focuses on healthcare resource efficiency in Guangxi; no fiscal tax incentive analysis.

### 3.2.1 The Impact of Tax Incentives on Regional Economic Growth (RQ1)

To address the first research question, this study synthesized empirical evidence regarding the relationship between fiscal interventions and regional economic indicators (GDP, GRP, TFP, and FDI).

The synthesis reveals a predominantly positive association between tax incentives and regional economic performance. Out of the studies providing quantifiable impact directions, the majority report that tax incentives function as a catalyst for economic expansion. For instance, Shi et al. (2022) provided robust evidence from China, demonstrating that a permanent 17% VAT investment tax credit significantly promoted industrial upgrading. Similarly, Zhou and Liu (2023) found that corporate income tax reductions under the Great Western Development Strategy increased the TFP of manufacturing firms by approximately 11.2% to 13.7%.

Beyond productivity metrics, tax incentives act as effective drivers of regional investment. Yukhanaev et al. (2014) highlighted that incentives embedded within Special Economic Zones (SEZs) significantly impacted the regional distribution of FDI in Russia. In developed economies, targeted tax relief for sectors like urban regeneration (Chung & Yoon, 2023) and eco-friendly housing (Koengkan et al., 2023) positively contributed to local Gross Regional Domestic Product (GRDP).

However, the literature also presents evidence of ineffective or negative outcomes. A critical finding by Zhao et al. (2024) indicated that certain regional tax incentives in China failed to promote endogenous growth and negatively impacted productivity due to resource misallocation and rent-seeking. Furthermore, Morgan et al. (2020) found that while the Earned Income Tax Credit (EITC) improved social outcomes, its direct link to broad regional GDP growth was insignificant. This suggests that while the aggregate evidence leans positive, effectiveness is highly conditional on policy design and governance.

### 3.2.2 Effectiveness by Type of Tax Incentive (RQ2)

The review identifies three dominant categories of incentives with varying degrees of effectiveness:

Investment Tax Credits (ITC) and Corporate Tax Reductions Incentives targeting the cost of capital appear highly effective in stimulating firm-level productivity. Shi et al. (2022) and Zhou and Liu (2023) confirm that cost-based incentives (such as VAT credits and CIT rate reductions) successfully reduce financial burdens, thereby encouraging capital deepening and human capital investment in the manufacturing sector.

Special Economic Zones (SEZs) Spatial incentives represent the most frequently analyzed instrument. Their effectiveness lies in agglomeration economies. Lu (2022) highlighted the spillover effects of SEZs in the Yangtze Delta, noting that human capital accumulation benefited both hosting and neighboring counties. However, as cautioned by Zhao et al. (2024), spatial incentives carry the highest risk of inefficiency if they merely relocate activity without creating net new growth.

Sector-Specific Incentives Targeted incentives for innovation and sustainability show promising results. Yu et al. (2025) demonstrated that digital economy policies (tax refunds) accounted for 25% of TFP growth in Chinese manufacturers. Similarly, green tax relief in developed contexts (Koengkan et al., 2023) effectively stimulated local construction sectors.

### 3.2.3 Comparative Effectiveness: Developed vs. Developing Economies (RQ3)

The synthesis reveals a distinct divergence in the effectiveness of tax incentives between developing and developed economies. This difference is not merely functional but is characterized by variations in impact magnitude and dependency on institutional preconditions.

**Developing Economies: High Impact Potential with High Volatility** In developing regions (e.g., China, Philippines, Russia), tax incentives demonstrate the potential for a significantly higher magnitude of impact on GDP growth compared to developed nations. This is attributed to the "catch-up effect," where the marginal return on capital is higher.

**Effectiveness Mechanism:** Incentives in these regions act as "growth accelerators" by directly lowering the high cost of capital and compensating for market imperfections. Shi et al. (2022) and Zhou and Liu (2023) found that VAT reforms and corporate tax cuts in China led to substantial jumps in industrial upgrading and TFP (Total Factor Productivity).

**Volatility and Risk:** However, the effectiveness is highly volatile and contingent upon governance. Zhao et al. (2024) highlighted that without strong institutional checks, incentives in developing regions often fail to promote endogenous growth and instead encourage rent-seeking behavior. Thus, while the potential for GDP growth is higher, the risk of policy failure is also significantly greater due to weaker regulatory frameworks.

**Developed Economies: Marginal Gains and Allocative Efficiency** In developed economies (e.g., EU, USA, UK), the effectiveness of tax incentives on aggregate GDP growth is generally more moderate/marginal but more stable. Since these economies operate closer to the technological frontier, tax incentives rarely produce double-digit growth rates. **Effectiveness Mechanism:** Instead of driving aggregate capital accumulation, effectiveness here is measured by allocative efficiency—shifting resources to lagging regions or niche sectors. For instance, Patrick (2023) in the US and Chung & Yoon (2023) in South Korea found that incentives effectively steered investment toward urban regeneration and specific development goals, but the aggregate impact on national GDP was less pronounced than in developing contexts.

Stability: The effectiveness is supported by mature institutions, ensuring that tax breaks (like Green Tax Relief in Portugal, Koengkan et al., 2023) translate into intended outcomes with less leakage than in developing counterparts.

Synthesis of Differences Consequently, the answer to RQ3 is affirmative: there is a difference in effectiveness. In developing economies, tax incentives are high-impact but high-risk tools for structural transformation. In developed economies, they are lower-impact but high-precision tools for correcting spatial or social disparities.

## Conclusion

This systematic literature review synthesized empirical evidence from 35 studies to evaluate the impact of tax incentives on regional economic growth. By analyzing the extent of impact, the effectiveness of specific incentive types, and the divergence between developed and developing economies, this study clarifies the role of fiscal policy in regional development.

4.1. Summary of Findings The synthesis yields three primary conclusions aligned with the research questions:

First, regarding the extent of impact (RQ1), tax incentives predominantly function as a positive catalyst for regional economic growth. The majority of reviewed studies indicate that fiscal interventions effectively reduce the user cost of capital, stimulate Foreign Direct Investment (FDI), and boost Total Factor Productivity (TFP). However, this positive relationship is not absolute; evidence of negative outcomes or insignificant associations highlights that incentives can fail due to resource misallocation if not properly governed.

Second, regarding incentive types (RQ2), the analysis identifies "cost-based" incentives and spatial incentives (SEZs) as the most effective instruments. Deepening the impact of VAT Reform: Specifically, Value-Added Tax (VAT) Reform—such as the transition from production-based to consumption-based VAT analyzed by Shi et al. (2022)—emerges as a superior instrument. By allowing the deduction of input tax on fixed asset purchases, this reform eliminates the "double taxation" on capital investment. This mechanism directly lowers the marginal cost of investment, thereby encouraging firms to upgrade technology and renew equipment, which translates directly into higher industrial productivity and regional growth. This contrasts with broad tax holidays, which often erode the tax base without guaranteeing reinvestment.

Third, regarding the difference in effectiveness (RQ3), a clear dichotomy exists. In developing economies, tax incentives exhibit a higher marginal impact on GDP growth, acting as essential accelerators for industrialization and capital deepening. However, their effectiveness is fragile and heavily dependent on basic institutional quality to prevent rent-seeking. Conversely, in developed economies, tax incentives show a more moderate aggregate impact but are highly effective in achieving targeted allocative goals, such as reducing regional inequality or fostering green transition, supported by stable governance structures.

4.2. Policy Implications The findings offer critical implications for policymakers:

Structural Reform over Temporary Breaks: Developing nations should prioritize structural incentives like VAT input credit mechanisms that permanently reduce investment costs, rather than relying on temporary tax holidays that create volatility.

**Institutional Prerequisites:** For developing nations, the high potential of tax incentives to attract FDI must be safeguarded by strengthening legal frameworks. Without this, the high impact potential remains unrealized due to leakage.

**Precision Targeting:** Developed nations should continue to utilize place-based policies to address spatial inequality but must rigorously monitor "deadweight loss" to ensure incentives generate new activity rather than merely displacing it.

**4.3. Limitations and Future Research** This study has limitations inherent to the SLR methodology. The restriction to Scopus-indexed, English-language articles may have excluded relevant domestic studies. Furthermore, the heterogeneity of methodologies limits the ability to perform a statistical meta-analysis. Future research should focus on longitudinal studies that measure the long-term sustainability of growth induced by VAT reforms versus tax holidays to determine the most fiscally sustainable path for regional development.

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