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Sanctions Tax Policy of Countries in the Management of System of Strengthening International Economic Security in Central Europe

Abstract: This article explores the concept of tax innovations within sanctioned taxation as a means to strengthen international economic security. It introduces a new framework – Pillar THREE of the Sanctions Tax Policy and GloSA (Sanctions Tax) – which mandates that an aggressor country indirectly finance the recovery of affected nations by supporting value-added chains between related companies. The proposed financial flow management mechanism outlines the role of non-resident companies (B, C, D) operating within the resident company (A) of the aggressor state, facilitating oversight by financial intelligence units to enforce sanctioned taxation effectively. Additionally, the study highlights the growing intersection of sanctions tax policy, energy security, and climate change mitigation. This approach aligns with international efforts to transition toward cleaner energy sources and reduce global reliance on economies that finance conflicts through fossil fuel revenues. This initiative aims to provide preventive economic protection and contribute to the cessation of military conflicts by leveraging financial oversight mechanisms. By integrating sanctions taxation, transfer pricing regulations, and environmental taxation, this paper presents a comprehensive approach to economic deterrence and international stability, reinforcing both geopolitical security and sustainable development objectives.

Key words: Sanctions Policy, Tax Policy, Management of Economic Sanctions, Central Europe, Management of System

Introduction

In the modern globalized world, economic sanctions have become an important tool of international policy aimed at ensuring economic security and supporting international legal order in Central Europe. States and international organizations impose sanctions in response to threats to global stability, human rights violations, the financing of terrorism, aggressive actions by states, and their attempts to destabilize the global economic order.

Economic sanctions encompass a wide range of measures, including financial restrictions, trade embargoes, asset freezes, the disconnection of banking institutions from international payment systems, investment banks, and other mechanisms that limit the economic activity of violating countries. The implementation of sanctions is designed to weaken the economic potential of an aggressor state and encourage internal changes to comply with international norms. A crucial component of modern sanctions policy remains tax instruments, particularly the control of transfer pricing and the introduction of special sanction taxes. Regulating financial flows between companies associated with aggressor states can be an effective means of countering sanctions evasion, money laundering, and the financing of illegal activities. In this context, the development of new approaches to sanctions tax policy is essential for strengthening international economic security.

The authors of this article explore the role of economic sanctions in shaping international security, analyze their impact on the global economy, and propose new control mechanisms through tax policy, particularly the use of the Global Sanctions Tax and other sanction initiatives.

Literature Review

Economic sanctions have acquired the status of one of the key instruments in the field of international relations, performing multifaceted functions, including strengthening economic security, supporting international legal order, and influencing geopolitical dynamics. At the same time, the effectiveness of the sanctions regime remains a subject of debate, as its outcomes largely depend on the characteristics of the targeted entities, the level of economic integration of the restricted party into the global economy, the types of restrictions imposed, and the possibilities for their circumvention.

Sanctions policy is implemented at various levels-global, regional, and national-and includes a wide range of measures, from general trade and financial restrictions to targeted, so-called “smart” sanctions aimed at specific companies, government officials, or key sectors of the economy. Modern research indicates that proactive approaches to economic policy-focused on market diversification, expanding investment cooperation, and strengthening regional economic integration-are, in some cases, more effective in neutralizing the impact of sanctions than symmetrical countermeasures. The introduction of sanctions regimes has contributed to the transformation of the international economic structure, stimulating the reorganization of trade flows, changes in global supply chains, and a growing trend toward a multipolar model of the global economy and geopolitics.

In this regard, modern sanction mechanisms require adaptation to the new conditions of the global economic order, necessitating the improvement of methodological approaches to assessing their effectiveness and impact on international economic security.

Document ST 10198/1/04 REV 1 of the Council of the European Union (Council of the European Union, 10198/1/04) defines the key principles for the application of sanctions as a tool for maintaining international peace and security in accordance with the UN Charter and the EU’s Common Foreign and Security Policy. The document highlights the necessity of effective sanctions implementation through coordination with the UN, the possibility of applying autonomous restrictive measures in response to violations of international law, and the importance of international cooperation to enhance the effectiveness of sanctions policy. It outlines a targeted approach to sanctions that minimizes negative humanitarian consequences, as well as an integrated strategy combining political dialogue, incentive mechanisms, and enforcement measures. Additionally, the document emphasizes the need for regular sanctions reviews, adaptation to emerging threats – particularly from non-state actors – and the flexibility of sanction mechanisms to ensure their effectiveness in a dynamic international environment.

Economic sanctions are an essential tool of international policy used to ensure global security and deter aggressive actions by states that violate international legal order. The analysis of the nature of sanctions as a means of influencing states that violate international law is presented in the study (Flissak, 2019), while their effectiveness in countering Russia’s aggression against Ukraine is assessed in the work (Hryshchenko, 2017). A review of international sanction regimes and recommendations for improving Ukraine’s sanctions policy are outlined in the research (Koval, Bernatskyi, 2023). The historical development and legal aspects of economic sanctions in international law, along with their effectiveness and impact on international security, are examined in the study (Lewandowski, Lewandowski, 2022, p. 55–78). Based on the analysis of the legal aspects and effectiveness of sanctions, it is also important to consider specific cases of sanctions implementation.

A detailed examination of the legal grounds and measures related to U.S. sanctions against Russia is presented in a report by the U.S. Congressional Research Service (*U.S. Sanctions on Russia*...). Sanctions have become a central element of U.S. policy to deter and counter Russia’s harmful actions, particularly its aggression against Ukraine. The report discusses the national emergency powers granted to the President by Congress, such as the National Emergencies Act and the International Emergency Economic Powers Act, along with other legislative acts concerning sanctions against Russia. Additionally, it explores debates on the impact and effectiveness of these sanctions, as well as their coordination with U.S. allies and partners.

The discussions on U.S. sanctions policy against Russia have revealed that the effectiveness of sanctions largely depends on their speed of implementation and global coordination (Itskhoki, Rybakova, 2024; Babina et al., 2023). The research highlights that the rapid introduction of comprehensive sanctions immediately after the start of aggression could have had a greater impact. Additionally, the absence of participation from major economies such as China and India has weakened the overall effectiveness of sanctions. The authors emphasize that the success of sanctions depends on the level of integration of the target country into the global economy and the ability of the sanctioning coalition to bear the associated costs. They also propose developing a doctrine of economic statecraft that combines sanction mechanisms with positive incentives for allies to achieve long-term global security and stability. These findings underscore the need for a swift and coordinated international approach to ensure the effectiveness of sanction measures.

In this context, particular attention should be given to the study (Studzińska, Dunaj, Pashkov, 2024), which analyzes the impact of sanctions on the Russian economy following the full-scale invasion of Ukraine. The authors assess the effectiveness of sanctions imposed by the European Union, the United States, and their allies using statistical data from the Federal State Statistics Service of Russia (Rosstat) and Russian media sources. However, due to increased state control over information, an objective evaluation of the impact of sanctions is challenging. Despite extensive economic restrictions, the Russian economy demonstrates significant resilience, which is attributed to high revenues from energy exports, adaptive strategies by the government and businesses, and the use of alternative trade routes through countries that have not joined the sanctions policy. The researchers highlight that the long-term effectiveness of sanctions will depend on the ability of Western countries to strengthen restrictive measures, minimize evasion opportunities, and maintain unity in their sanctions strategy. Furthermore, they emphasize the process of “Sovietization” of the Russian economy, characterized by an increasing role of the state sector, rising military expenditures, and isolation from global financial flows, which could lead to severe economic problems in the medium term.

Thus, for sanctions policy to be effective, it requires not only the expansion of economic pressure but also the development of strategies that limit the circumvention of sanctions and stimulate internal economic transformations in the sanctioned country.

Results

Sanctions pressure continues to intensify as the European Union, the United States, and their allies take measures to further isolate Russia financially and limit its informational influence. In this context, on February 24, 2025, marking the third anniversary of the war, the EU adopted its 16th package of sanctions against Russia, representing another step in the long-term sanctions strategy.

The 16th EU sanctions package introduces significant financial and media restrictions on the Russian Federation. Specifically, the disconnection of 13 Russian banks from the SWIFT payment system significantly complicates international financial transactions, affecting both state institutions and private businesses. Additionally, Russian companies now face greater limitations in conducting transactions in euros and dollars, further intensifying Russia’s financial isolation on global markets.

Economic sanctions have traditionally targeted financial systems, trade, and industrial sectors. However, energy-related sanctions have emerged as one of the most potent instruments for exerting economic pressure on aggressor states. The 16th EU sanctions package, for example, includes significant restrictions on Russian fossil fuel exports, which not only weaken the financial base of the aggressor state but also have the potential to accelerate global decarbonization efforts. Sanctions that restrict fossil fuel exports contribute to reducing global reliance on high-carbon energy sources. Historically, energy sanctions have led to shifts in global supply chains, prompting affected countries to diversify their energy sources. For example, the EU's response to sanctions on Russian gas has spurred investment in renewable energy, energy efficiency measures, and LNG imports from lower-emission sources. Studies suggest that such shifts can have long-term benefits in reducing carbon footprints and mitigating climate change (OECD, 2021). The transition to renewable energy sources mitigates geopolitical dependencies and reduces vulnerabilities associated with fossil fuel supply chains. Nations with a high reliance on energy imports from politically unstable or aggressive states are particularly susceptible to economic and strategic disruptions when sanctions impact energy trade flows. Consequently, increasing the share of renewable energy within national energy portfolios enhances economic resilience, strengthens energy security, and aligns with international commitments under the Paris Agreement on Climate Change. This shift not only contributes to long-term sustainability but also serves as a strategic mechanism for reducing the leverage of fossil fuel-exporting states in global political and economic affairs.

Beyond economic sanctions, media restrictions have also been introduced, including the banning of eight Russian propaganda outlets in Europe, thereby reducing their influence on European audiences and limiting the spread of pro-Kremlin narratives. These measures are part of a comprehensive strategy aimed at weakening Russia's economy, financial sector, and informational influence in Europe.

The sanctions significantly constrain Russia's ability to finance the war, restrict its access to international financial resources, and increase its information isolation. The SWIFT disconnection will further force Russia to rely on alternative payment mechanisms such as China's CIPS system, but this will not fully compensate for the losses, given the diminished trust in Russian financial institutions.

The media restrictions will help curtail Russian disinformation operations in Europe, potentially reducing Russia's political influence on European societies. However, based on previous sanctions experiences, Russia is likely to seek alternative methods to circumvent restrictions, utilizing third countries and alternative financial mechanisms.

The key question remains: will further sanctions escalation and declining energy export revenues lead to structural economic problems in Russia? The potential consequences include a budget deficit, reduced industrial output, and a financial sector crisis, which could contribute to domestic political destabilization and a deepening economic downturn in the medium term. However, as seen in past sanctions rounds, Russia may adapt by accelerating import substitution, strengthening economic ties with alternative partners (China, India, BRICS countries), and increasing the use of national currencies in international transactions.

Additionally, Russia may expand state control over key economic sectors and utilize parallel imports through neutral countries – a strategy that has already partially mitigated the impact of sanctions on high-tech goods and industrial equipment.

Thus, while sanctions significantly complicate Russia’s economic landscape, their strategic effectiveness depends on the level of coordination among allies and the ability to block circumvention strategies. If sanctions pressure persists, combined with rising military expenditures and declining energy revenues, this could lead to long-term negative consequences for the Russian economy. However, Russia’s adaptive mechanisms could soften these effects, maintaining a certain level of economic resilience in the short term.

Historical analysis of economic sanctions shows that their effectiveness largely depends on minimizing circumvention opportunities and creating a sustainable system of economic pressure on the aggressor. Traditional sanctions mechanisms, such as financial transaction restrictions, trade bans, and asset freezes, exert significant impact but can be partially offset through alternative markets, financial loopholes, and the shadow economy.

In this context, there is a growing need for innovative economic deterrence measures that not only prevent sanctions evasion but also affect the fundamental structures of international trade and corporate governance.

One such approach is the use of tax instruments, particularly transfer pricing mechanisms, as a component of sanctions policy. In an era of increasing digitalization and globalization, multinational enterprises (MNEs) play a key role in capital and resource allocation across countries. Therefore, tax policy regulating transfer pricing can serve as an effective tool to control economic activities of companies linked to aggressor states and limit their participation in global value chains.

In this context, the Pillar Two model, adopted within the OECD/G20 Inclusive Framework on BEPS (OECD 2021), establishes a global minimum tax of 15% for multinational enterprises. This reflects a global trend towards tax harmonization, opening up new possibilities for integrating sanctions-related tax initiatives into transfer pricing policies.

Given that a significant portion of Russia’s economic activity is conducted through its companies and subsidiaries abroad, monitoring intragroup pricing structures, profit repatriation, and tax burden distribution could serve as an additional pressure mechanism.

To enhance the effectiveness of sanctions policies, it is essential to expand their toolkit by integrating transfer pricing mechanisms as a form of economic influence on aggressor states. Strengthened control over related-party transactions, the introduction of a sanctions tax rate (Global Sanctions Tax – GloSA), and the integration of these mechanisms into the international tax system can not only restrict financial flows to aggressor states but also support the recovery of war-affected nations.

Thus, the future of economic sanctions should not solely focus on broadening financial restrictions but should also involve the development of strategies that prevent sanctions circumvention and promote internal economic transformations within the targeted country.

International Tax Policy: Management and Control

Given the global economic challenges and the need to ensure international security, it is crucial not only to implement traditional sanctions but also to expand tax mechanisms that influence multinational corporations associated with aggressor states. In this context, transfer pricing regulation becomes a strategic tool that can restrict financial flows of aggressive states, enhance economic transparency, and strengthen international security.

The modern world is deepening the processes of digitalization and globalization of the world economy. The consequences of this trend are the strengthening of tax problems of multinational enterprises (MNEs), for the solution of which the Pillar Two model rules were agreed upon in October 2021 by 137 countries and jurisdictions in accordance with the OECD/G20 Inclusive Framework on BEPS.

The OECD’s main global political forum promotes the policy of preserving individual freedom and improving the economic and social well-being of all people all over the world. Including helping to solve tax problems of multinational enterprises (MNEs).

The OECD published detailed rules to assist in the implementation of a landmark reform to the international tax system, which will ensure Multinational Enterprises (MNEs) will be subject to a minimum 15% tax rate from 2023. The rules create a “top-up tax” to be applied on profits in any jurisdiction whenever the effective tax rate, determined on a jurisdictional basis, is below the minimum 15% rate (OECD, 2021). Thus, such a minimum effective tax rate «Global minimum tax» or “GloBe” is a key component of Pillar two.

The Pillar Two initiative confirms the general trend toward tax policy harmonization and the fight against tax avoidance, opening opportunities for the implementation of sanctions-related tax initiatives. In this regard, transfer pricing can be used as an effective sanctions control mechanism, allowing not only to limit capital movement between affiliated companies of an aggressor state but also to support the recovery of countries affected by military aggression.

This approach requires a comprehensive reassessment and adaptation to the current realities of international tax policy. Therefore, this study proposes to explore the regulation of transfer pricing as a tool for sanctions policy.

Effective management of international tax policy requires coordinated governance frameworks and compliance monitoring. Governments and financial institutions should develop integrated compliance management systems, incorporating automated reporting tools, AI-driven analytics, and blockchain-based transparency mechanisms to track cross-border financial flows. Regulatory bodies and tax administrations must strengthen enforcement mechanisms to prevent tax evasion schemes that bypass sanctions.

Furthermore, intergovernmental coordination plays a critical role in ensuring policy alignment and real-time data exchange among tax authorities. The use of common reporting standards (CRS), financial intelligence-sharing networks, and joint audit frameworks will enhance the effectiveness of international sanctions-related taxation policies.

This approach requires a comprehensive reassessment and adaptation to the current realities of international tax policy. Therefore, this study proposes to explore the regulation of transfer pricing as a management tool for sanctions policy enforcement, focusing on mechanisms that enable real-time monitoring, financial risk assessment, and automated compliance verification in multinational corporate structures.

Economic Sanctions in the Context of International Taxation and Transfer Pricing Amid Geopolitical Threats

This detailed and comprehensive set of technical rules is a long-awaited consensus in addressing tax problems related to the consequences of uncertainty in the digital and globalized world economy. After all, tax policy is the most powerful factor for the development of multinational enterprises (MNEs) and can be a factor in relaxation, taking into account its dualistic potential. The strengthening or weakening of tax rates has emissions properties, which in the point of bifurcation set the trends of the further vector of functioning. Until now, tax policy has been considered in the modern scientific literature as a peaceful state, but the modern world has several global challenges, such as aggressor countries and their MNEs that promote the development of terrorism and separatism. In addition, in the context of the escalation of the military conflict on the territory of Ukraine and the geo-financing risks, the issue of the settlement of military conflicts through the application of economic influence to strengthen the international economic security of all countries is being updated. The state of the economy and military conflicts is primarily the result of the country’s policy. It is the instrument that serves the larger range of goals of the state system and the protection of state interests. To achieve wider security goals or foreign policy objectives of developing countries, State assistance is provided from developed countries or other targeted non-governmental entities in the form of economic sanctions against the aggressor countries. Economic sanctions are key instruments for limiting foreign trade and finance or maintaining economic development.

Throughout its history, implementation of economic sanctions against aggressor countries and activities, MNEs had two types of regimes – a comprehensive economic embargo and targeted or “reasonable” sanctions (focused on finance, travel, export-import of raw materials, and specific weapons).

The use of reasonable sanctions – mainly financial and travel restrictions and control over strategic goods – has grown sharply since 1990 and continues until (Adiyanta, 2018, pp. 165–181). As Ukrainian practice has shown, the effect of economic sanctions implementation is effective in the long term. In Ukraine, the expert sanctions group McFaul-Yermak (Michael Anthony McFaul and Andriy Yermak) has now been established, as well as plans to create two more consultative groups – on the comprehensive security guarantees for Ukraine and the reparations. Experts focused on the embargo export-import on Russian gas and oil and chemical products, as well as the exclusion from the financial system of all banks of the Russian Federation and Belarus.

This article focuses on the application of tax policy instruments against MNEs of aggressor countries, which has an immediate effect and breaks internal production relations and relationships in the value-added chain at the time of management decisions. The tax policy of countries forms the behavior of actors and their network links to the world economic system. To strengthen international economic security in the context of military conflicts, we propose the regulation and control of transfer pricing in the system of tax policy of countries in the context of economic sanctions.

Effective counteraction to the shadow economy, illegal removal, and use of assets related to terrorist financing and separatism depend on the information transparency of transfer pricing on the way to the creation of the Common European Community. Regulation and control of transfer pricing in the context of the formation of tax policy of the countries involved in transactions between related parties are intended to impose special economic sanctions on the countries of the aggressors in the context of military conflicts to ensure international economic security. That is why it is advisable to improve the set of special economic sanctions in terms of transfer pricing as an instrument of tax policy of countries in the system of strengthening international economic security.

The intensification of sanctions pressure by the European Union, the United States, and their allies underscores a growing global effort to financially isolate Russia and curb its informational influence. The 16th EU sanctions package, adopted on February 24, 2025, introduces significant financial and media restrictions, reinforcing the long-term strategy of economic pressure. Measures such as the disconnection of Russian banks from SWIFT, restrictions on euro and dollar transactions, and banning of Russian propaganda media in Europe have significantly increased Russia’s financial isolation and limited its ability to influence international narratives.

Despite these efforts, Russia continues to seek ways to circumvent sanctions, utilizing third countries and alternative financial mechanisms. While economic restrictions severely impact Russia’s economy, their long-term effectiveness depends on coordination among allies and closing loopholes that allow for sanctions evasion. If sustained, these restrictions – combined with rising military expenditures and declining energy revenues – could lead to structural economic problems, a budget deficit, reduced industrial output, and financial instability. A critical aspect of modern economic deterrence is the expansion of tax-based sanctions mechanisms. Traditional sanctions, such as financial transaction restrictions, trade bans, and asset freezes, can be circumvented through alternative markets and financial loopholes. In this regard, tax policy, particularly transfer pricing regulation, presents an alternative means of economic influence over multinational enterprises (MNEs) linked to aggressor states.

The Pillar Two model (OECD, 2021) reflects a global trend toward tax harmonization, opening opportunities for sanctions-related tax initiatives. Given that a significant portion of Russia’s economic activity is conducted through companies and subsidiaries abroad, monitoring intra-group pricing structures, profit repatriation, and tax burden distribution could serve as an additional mechanism of economic pressure. This approach suggests that the future of economic sanctions should not solely rely on broadening financial restrictions, but should also integrate transfer pricing mechanisms into a global sanctions framework. In this context, the concept of a Global Sanctions Tax (GloSA) emerges as a strategic tax instrument aimed at limiting financial flows of companies associated with aggressor states and supporting the economic recovery of war-affected nations.

Thus, an effective system of sanctions must include tax-based deterrence mechanisms, ensuring that companies affiliated with sanctioned states face financial constraints and cannot exploit international loopholes. Strengthening global tax regulations, increasing transparency in financial flows, and integrating taxation into economic sanctions policy could provide a sustainable long-term solution to counter economic aggression and reinforce international economic security.

The Concept of Punitive Taxation as a Tool for International Regulation of Violators

The concept of punitive taxation as a tool for international regulation of violators is widely examined in modern academic literature. Its primary goal is not only to encourage socially responsible corporate behavior but also to prevent undesirable economic and geopolitical consequences, such as tax evasion, financing of illegal activities, and strengthening the economic influence of aggressive states.

Research (Petruzzi, Koukoulioti, 2018, pp. 391–400; Petruzzi, Buriak, 2018, pp. 91–116; Cardoso, Petruzzi, 2019, pp. 531–555) highlights that punitive taxation can be used as a tool to restrict tax schemes of multinational enterprises (MNEs), particularly those aimed at tax optimization through low-tax jurisdictions or offshore structures. This issue is especially relevant in the context of global efforts to combat tax avoidance and aggressive transfer pricing strategies. Another body of research (Samrotun, Suhendro, 2018; Suhendar, Hakim, 2021, pp. 18–24) focuses on the role of punitive taxation in economic sanctions. The authors argue that sanctions-related taxation serves as an additional economic pressure mechanism against states that violate international law by creating artificial business barriers and redistributing profits within global value chains. Studies (Ristiana, Wening, Muda 2020, pp. 112–128; Wicaksana, Supadmi, 2019) explore the behavioral aspects of punitive taxation. These findings suggest that high tax rates or specific tax restrictions influence investment decisions, forcing companies to modify their business models or withdraw from certain jurisdictions. Finally, research (Adiyanta, 2018, pp. 52–73; Sawitri, Arifin, 2021) emphasizes the need to integrate punitive taxation into international legal frameworks to ensure its effectiveness and prevent legal conflicts. The scholars argue that the success of such a mechanism depends on global coordination of sanctions, particularly within the frameworks of OECD and G20, as well as on clear regulations at the national government level.

A review of the academic literature on punitive taxation demonstrates that this mechanism can serve as an effective tool for international regulation by restricting financial activities of entities violating international law. Researchers emphasize that punitive taxation plays a critical role in curbing tax schemes of multinational corporations, applying economic pressure, and shaping business decisions in response to increased tax burdens. Given the ongoing global economic integration, there is an increasing need for tax measures that not only prevent sanctions evasion but also create additional barriers for companies affiliated with aggressor states. Based on these conclusions, it becomes evident that an effective sanctions system should incorporate punitive taxation mechanisms. One of the most promising instruments in this context is GloSA (Global Sanctions Tax), a special tax aimed at restricting financial flows of companies linked to states that pursue aggressive policies or threaten international security. GloSA can function as a financial deterrent by blocking financial advantages for companies operating in sanctioned jurisdictions or redirecting financial resources to support nations affected by aggression. Implementing such a tax within the global tax system would help eliminate loopholes for sanctions evasion, enhance financial transparency, and establish a long-term economic pressure mechanism to strengthen international economic security.

A critical addition to traditional sanctions mechanisms is the implementation of punitive carbon taxation on energy-intensive imports from aggressor states. The Carbon Border Adjustment Mechanism (CBAM), recently introduced by the EU, serves as a model for leveraging environmental taxation in a sanctions context. Integrating carbon pricing into the Global GloSA framework would impose additional economic costs on high-emission industries operating in sanctioned states. By enforcing higher tax rates on fossil fuel exports from aggressor nations, GloSA can:

– discourage reliance on carbon-intensive industries;
– incentivize cleaner production methods in both sanctioned and sanctioning countries;
– generate revenue for climate adaptation and reconstruction efforts in war-affected nations.

Multilateral coordination is essential to prevent carbon leakage and ensure the effectiveness of carbon-based sanctions. The G20 and OECD’s Pillar Two initiative provides a framework for harmonizing carbon tax policies with international sanctions, preventing aggressive states from circumventing tax obligations by shifting production to third-party jurisdictions.

Thus, the adoption of GloSA as a sanctions tax instrument aligns with the trend toward stronger tax regulation of MNEs and the introduction of global economic deterrence mechanisms. Its implementation could become a key element in international efforts to ensure corporate financial accountability and restrict resources for states that violate international law.

The Methodology of Sanctions Transfer Pricing: GloSA as a Mechanism of Economic Influence

Transfer pricing is an instrument of the tax policy of the participating countries in foreign economic relations to reduce risks and overcome the consequences.

Given that the OECD promotes the policy of preserving personal freedom and improving the economic and social well-being of people all over the world, it is appropriate to focus on strengthening international economic security through tax instruments of a sanctioning nature in the activities of Multinational Enterprises (MNEs) in Central Europe.

The tax innovation consists of proposals for the development of special economic sanctions for Pillar THREE and the introduction of a key component – the sanctions restraining tax rate «global sanction tax» or “GloSA”.

The introduction of sanctions taxation rules will guarantee the deepening of the global fight against terrorism financing and aggressive behavior of countries worldwide. GloSA’s regulatory restraining tax rate in global regulations for multinational enterprises is aimed at paying the maximum possible income tax level they receive in each jurisdiction and is the source of the formation of an international compensation fund.

Transfer pricing is a process of determining the transfer price for any trade object (goods, services, intangible assets, or production factors) between related companies or structural units of one company, if a trade object crosses the customs border, it is possible to identify and reproduce the architecture of value-added chains with peculiarities of tax base relocation between countries and income redistribution between related companies.

The Pillar THREE set of technical rules proposed in this article may be a long-awaited consensus in addressing the problems of strengthening international economic security related to the consequences of financing terrorism and separatism through the use of tax instruments against MNEs of aggressor countries and their partners.

GloSA based on Pillar THREE, has a dualistic nature, as it will, on the one hand, block the MNEs’ aggressor countries’ affiliates in other jurisdictions and, on the other hand, help raise funds from financial flows to the Reparation international fund (RIF).

The use of GloSA in transfer pricing for profit-sharing purposes among the participants of the MNEs group of the aggressor country, confirmed by the recognition of the facts of aggressive behavior by the world community, is aimed at achieving a high level of contradiction to their tax interests.

GloSA in transfer pricing and Pillar THREE will block the consolidation of related MNEs in the aggressor country. The Inclusive of Pillar THREE is focused on the blocking of destructive actors in the world market.

GloSa principles in transfer pricing:

– tax control over transfer pricing provides for adjustment of tax liabilities of the taxpayer to the level of the sanction restraining tax rate of GloSA calculated on the condition of conformity of commercial and/or financial conditions of the controlled operation by the International reparations Fund (RIF) and/or financial conditions, which took place during the performance of the comparative operations, the parties of which are not related persons;
– the determination of the price of GloSA during the controlled operations is carried out under the method “expenses plus GloSA”, to check correctness, completeness of the calculation, and payment of the tax on profit of enterprises.

Reparation International Fund (RIF). GloSA based on Pillar THREE forms the foundation for a coordinated system of new-level reparations designed to ensure that the structural elements of the group in other jurisdictions of the big MNEs of the aggressor country pay the difference between an effective rate of income tax, which occurs in each of the jurisdictions in which they operate, and the sanctions rate, which is additionally imposed on the condition that the jurisdiction of the parent company is recognized by the aggressor country. Financial support for the military army and the processes of reconstruction of the victim’s country is provided and payment of compensation to donor countries by the reparation international fund (fig. 1).

The key functions of the fund should be:
– Compensation to victims and countries affected by aggression (primarily those now facing hunger);
– Compensation to donor countries that have provided military, humanitarian, and other assistance, received refugees, persons fleeing the military conflict, and IDPs from the country of aggression.

Decisions on reparations payments are made by voting by donor countries, taking into account the majority of votes. No country alone has the right to veto a decision.

To ensure that sanction revenues contribute to both economic justice and climate resilience, a portion of GloSA tax revenues should be allocated to a Reparations International Fund (RIF) dedicated to post-conflict environmental restoration and renewable energy development. War-affected nations often suffer extensive environmental degradation, including deforestation, pollution, and destruction of energy infrastructure. To finance green reconstruction, we propose in RIF can allocate funds to:

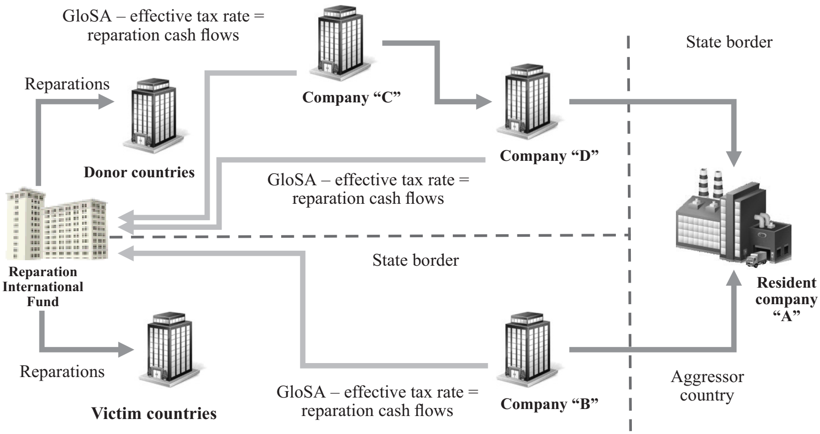

Figure 1. Financial flows in the value chain of a non-resident company “B, C, D” in a resident company “A” aggressor country

Source: Authors’ results.

– rebuild energy systems with renewable technologies;
– restore damaged ecosystems;
– develop climate adaptation measures in affected regions.

Financial intelligence agencies, particularly in Austria and the UK, are well-positioned to track cross-border capital flows and prevent sanction evasion. Expanding their mandate to include monitoring of environmental tax compliance can enhance the effectiveness of green sanctions. The proposed Reparations Fund algorithm also provides an opportunity to control transfer pricing and still impose sanctions in the event that a sub-sanctioned aggressor country attempts to evade, as, for example, the law would allow companies registered in offshore or non-jurisdictional jurisdictions, to return the currency mass to enterprises registered in the jurisdiction of the aggressor country.

With its further use for payment to third parties, financing of war, and terrorism.

The main controlling banks should be the bank of Austria and Great Britain. The head office (RIF) must be located in the jurisdiction of Austria, as RIF’s analytical support is based on information from the Austrian financial intelligence service.

At the same time, Austria’s financial intelligence works closely with the financial intelligence of Great Britain and other countries that have supported Russia’s economic sanctions in the banking sector and financial markets. Great Britain, in the person of Boris Johnson, undertook to control the prices of Russian oil, preventing Russia from receiving excess profits from rising prices, providing consumers with oil at an affordable price, and preventing a crisis in the European economy due to high energy prices.

Discussion

RIF activities based on GloSA. One of the main features of the RIF is the investigation of sanctioned offenses in the transfer pricing of the aggressor’s sanctioned country, which turn into a criminal one after a pre-trial investigation conducted exclusively by the RIF investigative body in the context of the Federal Office for the Protection of the Constitution and Counterterrorism (BVT).

Today, the major countries of the United States, Britain, and the European Union plan to create a cartel of oil-consuming countries as opposed to the BSEC to regain control over world prices. The cartel of large countries will allow to make general purchases and distribute the received volumes between participants. And the function of RIF will be to control the activities of the cartel of buyers and transfer pricing in value chains.

The Moroccan authorities refused the proposals of Russian officials and entrepreneurs to build a new transshipment terminal in Casablanca to handle cargo destined for Russia and to create a trading house through which Russia could purchase goods from third countries. The fund, based on financial intelligence information, will monitor and, if detected, including in the list of sanctions companies that are involved in the creation of new transshipment terminals or trading houses for the processing of cargo destined for Russia.

The study developed a road map of the route of movement of money, which illustrates the centers of responsibility in the value chain.

The main “authorized” bank or body – in fact, the one who decides on compliance with GloSA or non-compliance, provides the information “yes, the terms and price of the agreement meet/do not meet the terms of the sanctions.”

Given the affiliation of RIF, it is advisable to place control over the Bank of Austria, in order to achieve information transparency and relevance of processes and transactions with documentary letters of credit (L/C letter of credit) in a single jurisdiction.

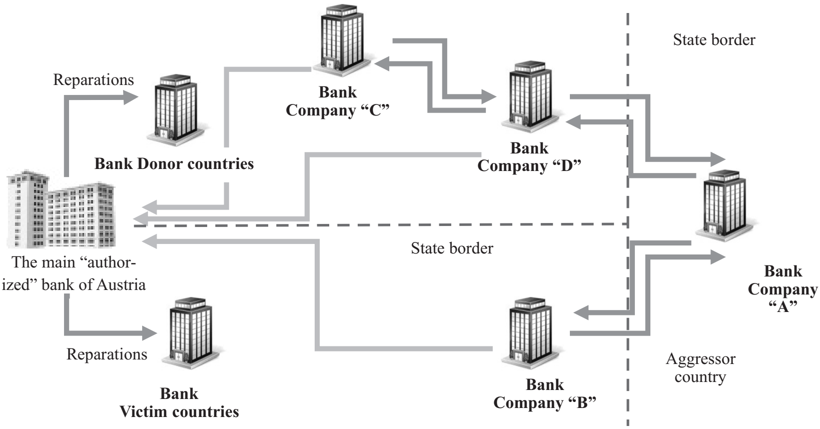

Figure 2. Financial Flow Management Roadmap

Source: Authors’ results.

The company affiliated with the MNEs of the aggressor countries in respect of any purchase/sale or provision of services, payment of dividends, royalties, etc., provides the Main “authorized” bank or body with documents under the terms of the agreement: the contract, which specifies the price; confirmation of the Austrian Chamber of Commerce and Industry that the price is satisfactory to the conditions of the imposed sanctions (not more/not less); as well as a list of documents that will be the basis for the bank to make a payment to the seller’s address (sea bill of lading, cargo customs declaration (CMR) and others at the discretion of the buyer).

Because the buyer before the transaction transfers the money to the Austrian bank and gives orders to make a payment: to the seller’s address and to the address of the current account, which accumulates where the money accumulates for the operation of RIF. The center of information collection is the Main “authorized” bank of Austria according to the Pillar THREE regulations, which enshrine the right to check documents and pricing systems. In case of compliance with GloSA based on Pillar THREE, the payment is subject to additional tax (or refusal to make payments).

Conclusions

The findings of this study demonstrate that sanctions tax policy, particularly through the regulation of transfer pricing, is a critical component of modern economic deterrence mechanisms aimed at strengthening international economic security. The introduction of GloSA (Global Sanctions Tax) within the framework of Pillar THREE provides an innovative approach to mitigating the financial influence of aggressor states by restricting financial flows within multinational enterprises (MNEs) and redirecting capital toward the economic recovery of affected nations.

The presented scientific and practical recommendations on the regulation and control of transfer pricing, along with the proposal to introduce special economic sanctions for aggressor countries engaging in related-party transactions, will contribute to preventing the risks of financing terrorism and separatism while suppressing military conflicts in affected countries. The concept proposed by the authors regarding the initiation of a veto mechanism under Pillar THREE within the sanctions taxation system and the introduction of GloSA would impose a requirement on the aggressor country to sustain the value-added chain activities between affiliated companies, which would indirectly finance the recovery efforts of the victim country. Integrating energy policy, carbon taxation, and environmental sustainability into sanctions frameworks presents a dual strategic opportunity: reinforcing international economic security while accelerating the transition to a low-carbon global economy. By embedding carbon pricing mechanisms within a GloSA, aggressive states would be compelled to bear both the economic and environmental costs of their actions. This approach not only deters geopolitical aggression but also reduces global dependence on fossil fuel exports, mitigating associated vulnerabilities in energy supply chains. Furthermore, the redirection of sanction-generated revenues toward green reconstruction initiatives through the Reparations International Fund would contribute to long-term geopolitical stability and climate resilience. This mechanism ensures that economic penalties imposed on aggressor states serve a dual function – supporting victim nations’ recovery and financing the transition to sustainable energy infrastructure.

The identification and monitoring of adaptation strategies employed by aggressor states to circumvent transfer pricing sanctions would be entrusted to the Reparation International Fund (RIF) and the financial intelligence units of Austria and the United Kingdom, facilitating preventive protection of international economic security and contributing to the cessation of military conflicts in Central Europe. Furthermore, the application of transfer pricing regulations as a tool of economic sanctions underscores the necessity of greater international coordination in addressing illicit financial flows and tax base erosion associated with aggressive geopolitical actors. The ability to monitor, adjust, and enforce tax compliance across affiliated entities of sanctioned firms ensures that MNEs cannot exploit regulatory arbitrage to bypass economic restrictions. The findings also emphasize that the effectiveness of economic sanctions depends on their adaptability to the evolving strategies of sanctioned entities. While traditional trade embargoes and financial restrictions remain essential, their impact can be weakened through alternative trade routes, parallel import schemes, and opaque financial transactions. The implementation of GloSA within transfer pricing mechanisms directly targets these vulnerabilities by creating a structured system of tax-based deterrence, thereby closing loopholes and reinforcing financial accountability.

In conclusion, the development of GloSA as a standardized sanctions tax mechanism represents a strategic shift in international tax policy, enhancing its role in geopolitical stability and economic security. The integration of tax-based sanctions into global financial governance structures will not only deter illicit financial activities but also contribute to the broader objectives of maintaining economic justice, ensuring corporate compliance, and securing long-term reparations for war-affected nations. Moving forward, further research is required to refine the implementation of GloSA, establish jurisdictional enforcement frameworks, and ensure multilateral coordination in sanctioning aggressor economies through fiscal policy innovations.

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Polityka podatkowa i sankcje państw w zarządzaniu systemem wzmacniania międzynarodowego bezpieczeństwa gospodarczego w Europie Środkowej

Streszczenie

Niniejszy artykuł analizuje koncepcję innowacji podatkowych w ramach opodatkowania sankcyjnego jako sposobu na wzmocnienie międzynarodowego bezpieczeństwa gospodarczego. Wprowadza on nowe ramy – Filar TRZECI Polityki Podatkowej Sankcji i GloSA (Podatek Sankcyjny) – które nakazują, aby kraj agresora pośrednio finansował odbudowę dotkniętych krajów poprzez wspieranie łańcuchów wartości dodanej między powiązanymi firmami. Proponowany mechanizm zarządzania przepływami finansowymi określa rolę spółek niebędących rezydentami (B, C, D) działających w ramach spółki będącej rezydentem (A) państwa agresora, ułatwiając nadzór jednostkom wywiadu finansowego w celu skutecznego egzekwowania opodatkowania objętego sankcjami. Ponadto w badaniu podkreślono rosnące powiązania między polityką podatkową sankcji, bezpieczeństwem energetycznym i łagodzeniem zmian klimatycznych. Podejście to jest zgodne z międzynarodowymi wysiłkami na rzecz przejścia na czystsze źródła energii i zmniejszenia globalnej zależności od gospodarek, które finansują konflikty poprzez dochody z paliw kopalnych. Inicjatywa ta ma na celu zapewnienie prewencyjnej ochrony gospodarczej i przyczynienie się do zaprzestania konfliktów zbrojnych poprzez wykorzystanie mechanizmów nadzoru finansowego. Łącząc opodatkowanie sankcji, przepisy dotyczące cen transferowych i opodatkowanie środowiskowe, niniejszy dokument przedstawia kompleksowe podejście do odstraszania gospodarczego i stabilności międzynarodowej, wzmacniając zarówno bezpieczeństwo geopolityczne, jak i cele zrównoważonego rozwoju.

Słowa kluczowe: polityka sankcji, polityka podatkowa, zarządzanie sankcjami gospodarczymi, Europa Środkowa, zarządzanie systemem

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