In general, investments are an important factor of economic growth in any country. However, foreign direct investment (hereinafter "FDI") plays an even more important role in developing countries and in countries in transition from communist, centrally planned economies to market-based economies. FDI also brings other important benefits, including, among others, spillover effects, the import of new technology, know-how, training of the host country workforce, networking with home country producers who supply products to them, and job creation. Due to the great importance of FDI for economies, politicians and researchers have sought to identify which factors determine FDI inflows to countries.

To date a plethora of theoretical and empirical literature has been written, devoted to determinants of FDI. The conventional, classical approach to clarifying the causes and determinants of FDI, and which preceded modern theories, was based on the theory of international trade and the concept of comparative advantage. The motives for FDI were explained by the marginal

productivity of capital, i.e. foreign investments are made if the marginal productivity of capital abroad is higher than that in the host country, and the factor deemed the most important determinant of FDI was the interest rate differential.

A breakthrough in insights among economists into factors motivating foreign investment came in the 1960s and 1970s with the publication of works by xx (1970), xx (1966) and xx (1974). The most important new theories concerning FDI determinants include industrial organisation theory, product life cycle theory, macroeconomic theories, eclectic paradigm, diversified risk hypothesis, macrofinancial theories.

One of the most influential and vivid theories is the eclectic theory developed by xxx (xx, 1995) and (xx, 1993). Xxx´s theory of the xxx paradigm includes among the determinants of expansion and allocation of capital abroad the desire of investors to retain benefits deriving to them from ownership of a specific advantage that they have or own, hence ownership

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According to xxxx, xxx country determinants of FDI are divided into three groups: (1) policy framework for FDI; (2) economic determinants; and (3) business facilitation. According to which economic factors motivate FDI inflows, xxx states these types of xxx: (a) market-seeking xx, (b) resource-seeking xx, (c) efficiency-seeking xxx (xxx, 1998).

Literature suggests that there is more than one determinant of FDI inflow to a country. When paying particular attention to the role of corporate tax, FDI determinants can be split into two groups: tax and non-tax determinants. Based on previous literature and results from empirical research, to ascertain the determinants

of FDI inflows to EU Member States, with particular attention to the role of corporate tax, I estimate the following model:

$$\ln FDI = \beta_1 + \beta_2 RR_{it} + \beta_3 RR_{it} + \beta_4 INFL_{it} + \beta_5 LBRCST_{it} + \\ + \beta_6 MBL\ 100_{it} + \beta_7 OPNS_{it} + \beta_8 CITRT_{it} + \beta_9 TXEF_{it} + u_{it}$$

where the dependent variable is the inflow of foreign direct investment in each EU27 country (*xx*). The explanatory variables are gross domestic product per capita (*RR*), inflation (*xx*), labour costs (*xx*), infrastructure (*xx*), the marginal nominal corporate tax rate (*xx*), the degree of the economy's openness (xx) and the effective tax rate on profit and capital assets (xx), and finally β_1, β_2, β_3, β_4, β_5, β_6 , β_7, β_8, β_9 are the estimated parameters of the model. I conduct the analysis on historical data for the period 20xx – xx

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