

# Chapter 84

## The Impact of Tax Policies on Behavior of Albanian Taxpayers

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### ABSTRACT

*The Albanian state has experienced many changes of this system over the years due to the policies and different regimes that have followed, but there has always been a tendency for improvement. The tax system and the informality are the mirror of the economy of the country, especially the favorable tax/fiscal policies that have been adapted to the economy, which bring economic development and integration of all the gaps to a proper economic environment. The chapter aims to find the effects of tax changes on the taxpayers. Furthermore, the study focuses on how the business performance has been indicated from the tax control. The data is collected from a survey which was focused in small and big businesses that operates in the capital city of Albania, in Tirana. The questionnaire is realized during April 2018. The main finds of the study are the different perception of businesses for the tax control and the impact of the fiscal changes on these businesses. All these fiscal changes that the businesses faced were more in disfavor of the small businesses.*

### INTRODUCTION

The tax system has always been treated as one of the most important factors in the economy of the country. It has created a strong relationship between the system, the state, the economy, businesses and taxpayers. The burial system has never shifted to its rustic form but it has always been in line with the changes. Moreover, the tax system is seen as a kind of harmonization between different countries. By using preferential and stimulating policies, has developed a fair and profitable trade for each of the two trading partners. The way that one country decides to develop the tax system, shows clearly the economy

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of the country and that's why the developed countries give a big boost to it. They believe that through this system they can create a sustainable economy and government. With the economic changes of our country, of the regions and the countries which are in the process of being part of the EU, fiscal policies remain the only macroeconomic policies with which government can operate within their territory.

Over the years like any other aspect of the economy, concepts and features of the fiscal system began to be improved and more detailed. Practices have shown that the fiscal system is a stratification of rules. From time to time or year to year the fiscal system needs to be updated but always in the way to reach an optimal fiscal system. An optimal fiscal system will be optimal when the fiscal burden is fairly distributed through tax payers, when taxes do not cause distortions in taxpayer behavior or in investors in different sectors or in industries. The tax system in the Republic of Albanian state has had a continuous sustainable development during the development period of the Albanian state up to the present day. The study and the analysis of this system are really crucial not only at its doctrinal level but above all in the practical aspect of this concept. Our country has gone through all of the political systems that could have passed and each one has left a culture somewhere developed and somewhere not developed. However, we try to decrease the level of the informality and to increase the level of the development of the fiscal system. Even the fiscal policies that have been set up have a great deal of power, and all the theories that exist for them or the precise establishment of an optimal system were clearly shown that favoring policies do not bring unnecessary consequences to the economy and to a wage. Favorable policies are all those policies that do not express a tax burden or a high tax obligation, any changes that may be made to this policy are the first that they are reacting to and are skeptical, where they are normally always expected a response from the most important part of a tax system. Fiscal policies and their changes have a major impact on increasing or decreasing the level of GDP in the world, affecting inflation, unemployment, and the well-being of a single person. Therefore, the level of taxes should be kept at the allowed rates which can negatively affect all the above elements. Nowadays the countries all over the world are in an open struggle between them to have a developed economy and are competing with each other to increase as much as the number of foreign investors. Hence favoring and developing the appropriate tax policies would help to attract foreign investors and affect the growth of the economy. Taxpayers are also interested in more favorable policies, but they do not pose a high level of trust in the entire tax system, perhaps from the point of view of how this system has developed and the drastic changes it has had, or perhaps even from a non-developed culture of how the whole system works. None of the taxpayers have the proper for the way that their money is administrated, no one has the confidence that this money is a return and investment for them, or even that will ever have compensation. All these uncertainties have begun earlier, at a time when the system was not set up to the fullest extent possible and brought the informality that taxpayers were adapted to it and all this tax audit that took place in the period 2014-2015 and that continues today, found no-prepared all the taxpayers and businesses.

Albania is the country with the lowest level of tax revenues, compared to most of the countries in the region. The key findings of this research were mainly regarding the perception of big and small businesses about the frequent changes of the fiscal policies. The whole situation that was created for this issue makes small businesses to trust less the law, the inspectors and the tax legislation. From the data collection, it can be said that small businesses believe that all the tax action was realized for them. Moreover, from the survey it comes out that both categories of businesses need to be trained for the tax policies and they believe that such frequent changes on tax policies have a negative impact on the businesses' performance and in the entire economy.

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