A MEASURMENT OF TAX SYSTEM PERFORMANCE IN ALBANIA

Robert Çelo[1], Lorenc Koçiu[2,] Irena Boboli[3]

[1] Universitety of Gjirokastra "Eqrem Çabej", Email: bertcela1@hotmail.com

[2] "Universitety of Gjirokastra "Eqrem Çabej", Email:, kociulorenc@yahoo.com

[3] Universitety of Gjirokastra "Eqrem Çabej", Email: irenaboboli@yahoo.gr

Abstract

The tax system is a set of laws, rules, norms, procedures and methods, which are implemented by a set of institutions and tax administration.[i] The responsible authority for the design and implementation of fiscal policy is the government of any country. Fiscal policy along with monetary policy, are two key elements of the economic policy of every government. After the '90, the Albanian economy has undergone significant changes. The Albanian economy went from a centralized economic system to an open market oriented economic system. This brought up the need of frequent changes of tax system in order to generate the necessary income to meet the increasing need of public spending. In our research paper we analyze the main changes to taxes and their impact on the overall level of tax revenues. With the debt level passing 70.4% of GDP the government has to increase its revenues from taxation in order to ensure fiscal stability. We will analyze how tax system reacts in proportion of GDP. Do the revenues from taxation rise at the same pace as the GDP rises. This will show us the effectiveness of the tax reforms and their impact on tax revenues. We will calculate Tax Buoyancy in order to see how well the tax system responds to changes of GDP. This will help government in its process of spending and debt financing planning. We test tax system performance considering data availability for the time period 1993-2014. We have tested tax system performance dividing it in four sub periods, considering specific characteristics of each period. It's been found that the tax system have performed well in long rung with fluctuations from period to period. We have analyzed and tested the data using method of linear regression through the statistical program SPSS v.21. We have used data collected by INSTAT and MF.

Keywords: *tax buoyancy, GDP, fiscal policy, tax system, tax revenues, growth.*

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University of Shkodra "Luigj Gurakuqi", Shkodra, Albania