

Some observations on the implementation of progressive and flat taxes in the Albanian tax system

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Abstract

All taxes discourage something. Why not discourage bad things like pollution rather than good things like working or investment? – a well-known American economist Lawrence Summers has stated.

But anyway, as Benjamin Franklin wrote in a 1789 “...in this world nothing can be said to be certain, except death and taxes”. In these circumstances, taxation is a phenomenon that no one can avoid, but anyway every system should follow the canons of taxation for efficient economic administration as well as for avoiding unnecessary hardships to those who have no capacity to pay.

Adam Smith (1778) identified four famous canons of taxation that are important even nowadays:

Equity: The sacrifice of all citizens must be equal;

Certainty: The tax which each individual is bound to pay ought to be certain and not arbitrary;

Convenience: A good taxation policy must be convenient for the tax payer;

Economy: The cost of collecting tax should be the minimum;

This paper aims the identification of effects of progressive and flat tax implemented in Albania during last decade. This can be achieved by analyzing, personal income tax revenues and tax revenue, for three periods during 2010-2017. The analysis will consist in comparing budget revenues generating from personal income tax as part of total revenue, for periods before and after progressive tax implementation. From this we can find out if there are important differences and which is the trend. The analysis will be carried out through graphs and comparative analysis of time series of revenues from personal income tax as part of total revenue for above mentioned periods.

Keywords: progressive tax, flat tax, fiscal system, marginal tax.

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