



## Research Article

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### The current situation of the tax system and administration in Albania

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DOI: <https://doi.org/10.2478/ejels-2023-0007>

#### Abstract

A large part of the world's economies, but especially countries in transition, face high levels of fiscal evasion and tax avoidance. The tax administration must analyze the factors that influence the level of income declaration by taxpayers, specifically the identification of the problems of this fiscal policy in relation to VAT, Social Security and Health contributions and consolidate the infrastructure in order to improve the situation in a way to achieve a better performance in the realization of tax revenues. Tax control remains one of the most discussed issues in this case. Despite the fact that there are other important structures that affect the performance of the tax administration, tax audit has a significant impact on increasing the awareness of taxpayers. The quality of tax control has been treated as one of the basic performance indicators of the tax administration that has a direct impact on tax revenue collection. Fiscal evasion and tax evasion leads to a low level of revenue realization, which causes low levels of public investment. The object of the study will be the identification of the current problems of the fiscal policy, the identification of influencing factors in the behavior of taxpayers and the impact of tax control on tax performance. There are studies related to the structuring and management of the tax audit and the factors that make a tax audit more qualitative. These studies emphasize that an independent tax control takes on new burdens aiming to guarantee the budgets with the necessary revenues to carry out economic and social programs for the benefit of citizens. The recent global and regional economic crisis has affected fiscal administration, requiring all governments to increase tax performance in support of the minimization of informality and the fight against fiscal evasion and tax avoidance.

In a country like Albania, where the informal economy is present (World Bank, 2015), taxpayers try to use all the "ways" they find to avoid paying tax obligations. The difference between the taxes that should be collected and those actually collected<sup>1</sup> is calculated to be somewhere between 16% and 20% for VAT and for profit tax an average of 38%, also if measures for tax controls had not been taken, the potential evasion reaches 66% (World Bank, 2015). Also, the occasional changes in tax legislation and the tax burden creates difficulties for business until finding abusive ways. Under these conditions, for the tax administration in Albania, maintaining an efficient and effective tax administration is a difficult challenge.

In all countries, the tax audit plays an important role in the performance of the tax

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<sup>1</sup> Tax Gap.

administration. The main purpose of the tax administration is to make taxpayers aware of their tax obligations. An important tool for improving efficiency and effectiveness of an administration is the implementation of an appropriate tax control system in relation to the conditions in which the country is located.

This study constitutes a scientific effort to present the problems of the current fiscal policy and the influencing factors in the performance of the tax administration in Albania. Through this study it will be possible to prove the relationship that exists between the various factors that have been studied (which are thought to affect efficiency) and the efficiency of the tax administration. At the same time it will be analyzed what part of the income is realized from the tax control from the total collected income.

This study is a novelty in this field, since there are no studies in Albania that have dealt with these issues before, but it will also serve the senior managers of the tax administration and policy makers to take the appropriate measures.

**Keywords:** Tax system, current situation, administration, Albania.

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European Journal of Economics, Law and Social Sciences ISSN 2519-1284 (print) ISSN  
2510-0429 (online)

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