

ASSESSING DETERMINANTS OF TAX EVASION IN ALBANIA-A MULTINOMIAL ECONOMETRIC APPROACH

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ABSTRACT

This is a study about assessment of determinants or factors of tax evasion in Albania. Literature, though there is a not a consensus about a unique set of factors, has found a number of them as contributing to tax evasion extent, such tax rates, trust in government, size of firms, etc. We collected through a questionnaire and used dummy and multinomial econometric models to assess a number of hypothetic factors. In the Albanian context we found as having positive significant effect on the probability of tax evasion five factors: profit tax rate, income tax rate, capabilities of the tax administration, sustainability of the tax legislation, financial situation of the company. We found as having negative significant effect the turnout of company. We suggest for further investigation testing other variables of interest and we recommend government to make policy improvements accordingly.

Keywords: Tax evasion, informality, econometric modeling, factors of tax evasion, exponentiated coefficient.