

# Effect of integrity of the officers on reduce the tax evasion or increase of the revenue - Survey in Kosovo

Prof.Ass. Dr. Isuf Lushi<sup>1</sup>

## Abstract:

In this paper, we have the order to research the effect of integrity of the officers on the fiscal evasion or in increase to revenue for the state, even the level of the effect. To understanding if the integrity of the officers, had effect on the increase of the revenue or to reduce the fiscal evasion, we have researched this problematic to the officers of law enforcement, inspectors, companies, agents, companies of transports. From the questionnaires in this survey, shows that the integrity of the officers or the officers of the law enforcement have a powerful effect to reduce the tax evasion and the increase of the revenue. There are presented the answers that are taken through surveys, and in this paper there are 240 respondents in total. There are three alternative answers, as low, medium and high effect. In this survey, there are 12 answers or 5.4% for “low effect”, 84 answers or 34.5% for “medium affect” and 144 answers or 60%, for “high effect. Therefore in this paper are take the results that show a positive relationship between integrity and the tax evasion, and we can say as higher the integrity will reduce the tax evasion.

*Key words: tax evasion, integrity, tax audit, revenue .*

## 1. Introduction:

One of the Elements of Quality Control, is Integrity as a relevant ethical requirements. (Arens, Elder and Beasley, 2012) All personnel on engagements should maintain independence in fact and in appearance, perform all professional responsibilities with integrity, and maintain objectivity in performing their professional responsibilities. The topics of corruption (integrity) and tax evasion have attracted significant attention in the literature in recent years. (Raymond Fisman & Jokov Svensson, 2007), In this paper is find that the rate of taxation and bribery are negatively correlated with firm growth. A one-percentage point increase in the bribery rate is associated with a reduction in firm growth of three percentage points, an effect that is about three times greater than that of taxation. This provides some validation for firm level theories of corruption which posit that corruption retards the development process to an even greater extent than taxation. (Robert W. McGee, Simon S. M. Ho, Annie Y. S. Li, 2007), The strongest arguments justifying tax evasion were in cases where the government was corrupt, the tax system was unfair and unaffordable. The weakest arguments for justifying tax evasion were in cases where there was a selfish motive. Tax evasion is the illegal evasion of taxes by individuals, corporations, and trusts. (Michael Wenzel, 2002), Tax evasion of ten entails taxpayers deliberately miser presenting the true state of the affairs to the tax authorities to reduce their tax liability and includes is honest tax reporting, such as declaring less income, profits or gains than the amounts actually

<sup>1</sup>University of Prizren “Ukshin Hoti”, Tel: +38649547171

earned, or overstating deductions. Tax evasions an activity commonly associated with the informal economy. One measure of the extent of tax evasion (the "taxgap") is the amount of unreported income, which is the difference between the amount of income that should be reported to the tax authorities and the actual amount reported. In contrast, tax avoidances the legal use of tax laws to reduce one's tax burden. Both tax evasion and avoidance can be viewed as forms of tax noncompliance, as they describe a range of activities that intend to subvert a state's tax system, although such classification of tax avoidance is not indisputable, given that avoidance is lawful, within self-creating systems.

We think that the integrity is a problem which should considered, respectably in the countries where the law enforcement is not in good level. where we are thinking about the integrity, can be considered; the corruption, non-transparency, morality's performance, unprofessional behavior, creation of barriers which are not necessary and other similar. Therefore all the elements that build the integrity or not integrity are very relevant to be considered in relationship between with tax evasion, tax avoidance, the controls on the companies etc. If we referred in the survey, which is done to measure the relationship between the effect of the integrity on reduce the tax evasion, in this case we can say, if there is high level of the integrity of officers, is the sure that will be the reduce of tax evasion in the same time will be the increase of the revenue.

Therefore, high integrity same time increase the revenue, when the integrity is not in good level is the potential risk for tax evasion and avoidance.

Integrity and ethical values are the product of the entity's ethical and behavioral standards, as well as how they are communicated and reinforced in practice. They include management's actions to remove or reduce incentives and temptations that might prompt personnel to engage in dishonest, illegal, or unethical acts. They also include the communication of entity values and behavioral standards to personnel through policy statements, codes of conduct.

## **2. Methodology:**

Survey was realize through questionnaires, which were distributed many questionnaires, but we taken 240 answers. Questionnaires were distributed mainly to the importing companies, officers that realize controls to businesses, customs agents, accountants and international transport companies and others. In these survey are two main questions: Does high integrity officer (Law Enforcement officer) to reduce tax evasion? and the second question How do you think that will affect the high integrity of the officer to reduce evasion?, To the first question, we had submitted two alternative answers positive and negative, while in the second question, we had submitted three alternative answers; low effect, medium effect and high. The answers we presented to the results follow.

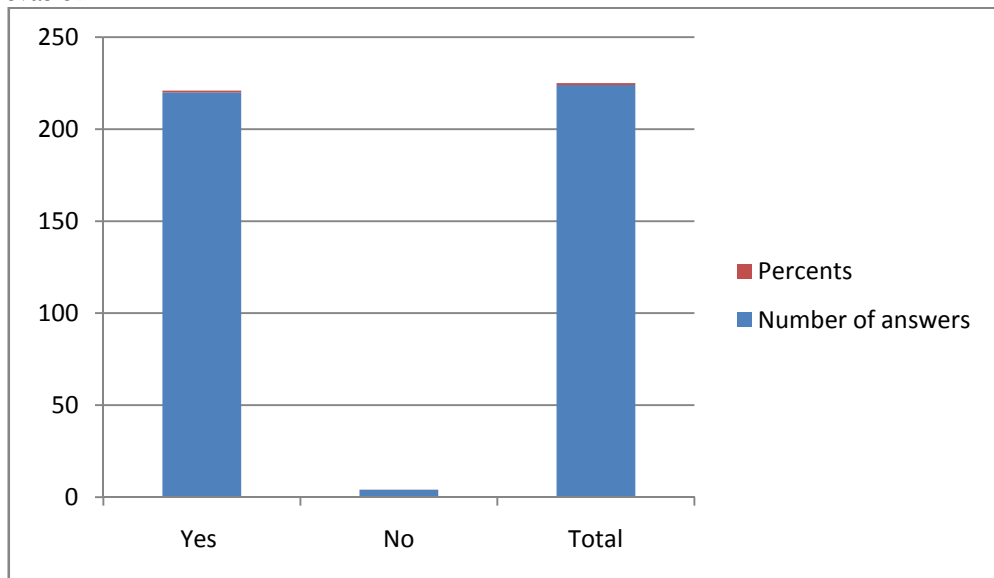
### 3. Results:

The following we presented the result from the questionnaires in this survey, the first question is: Does high integrity officer, effect (Law Enforcement officer) to reduce the tax evasion?

**Table 1.**

Alternative answers	Number of answers	Percents
Yes	220	98.21%
No	4	1.78%
<b>Total</b>	<b>224</b>	<b>100%</b>

In this table above, are presented the answers that are taken through surveys, and in this case there are 224 respondents in total, which from they 220 have the positive answers or 98.21% and only 4 from they are the negative answers or 1.78%. where we say positive answers means, that integrity of the officers, can affect to reduce the fiscal evasion.



*How do you think, how is the effect of integrity of the officer to reduce the tax evasion ?*  
 Figure 1, referred to table nr.1.

**Table 2.**

Alternative answers	Number of answers	Percents
Low effect	13	5.4%
Medium effect	83	34.58%
High effect	144	60%
<b>Totali</b>	<b>240</b>	<b>100%</b>

In this table above, are presented the answers that are taken through surveys, and in this case there are 240 respondents in total. There are three alternative answers, as low, medium and high effect. In this survey, there are 12 answers or 5.4% for “low effect”, 84 answers or 34.5% for “medium affect” and 144 answers or 60%, for “high effect”.

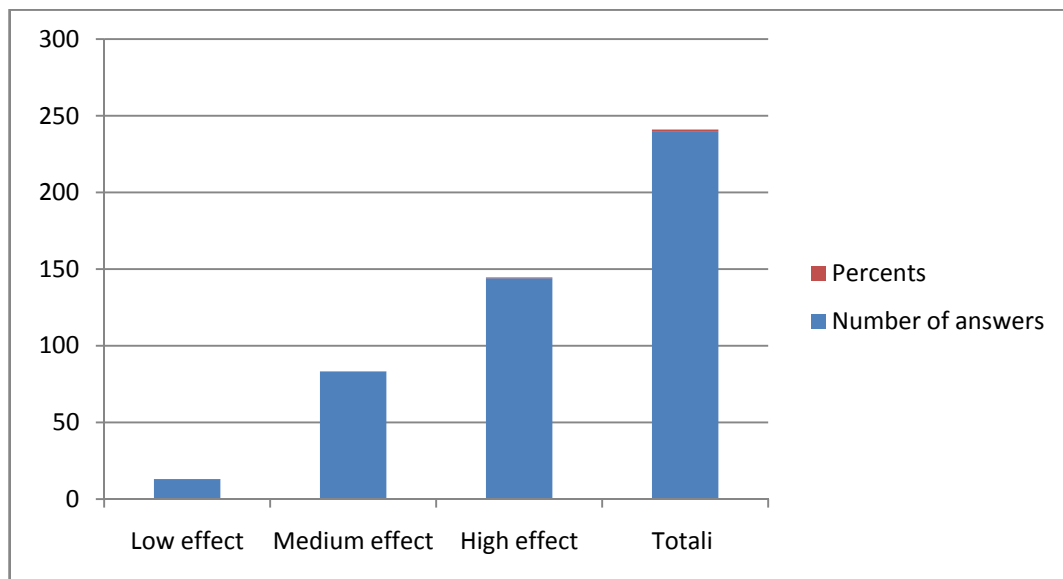


Figure 2, referred to table nr.2.

### Conclusions:

In this paper, referring to the above results, is found a positive relationship between integrity of the officers in law enforcement and the tax evasion. In this case we can conclude, if there is an increase of the integrity then there will be an effect in the decrease of the tax evasion, in this way there will be an increase in the state revenue. If governments need to raise more tax revenues in a way that minimizes distortions and maximizes social welfare, they should implement reforms that increase the integrity of the officers in law enforcement, in this way to reduce the corruption, because tax evasion is also considered to be a corrupt behavior itself.

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