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Tax Evasion as a Crime: A Survey of Perception in Kosovo

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Abstract. The goal of this paper is to explore the perception of Kosovo's citizens of the severity of tax evasion relative to other crimes and abuses. Perception of tax evasion may somewhat clarify the degree of rebelliousness with the tax laws. Using data from a self-administered survey and a personnel structured interview, the results of mean and comparative analysis will be examined to show where the tax evasion is ranked in Kosovo in the list of fifty listed crimes.

Studies, conducted about the perceptions of tax evasion as a crime, have suggested that the tax non-compliance environment has been created from the perception of the taxpayers towards tax evasion as a non-serious crime. Consequently, the degree of non-compliance with the tax laws could be explained somewhat by the perception towards the tax evasion. And, it is obvious that the public's perception of the severity of a crime has important implications for society. [1] However, those studies are inconclusive in explaining the variability of the perceptions towards tax evasion as a crime. Despite that fact that these researches conducted on this area in US, Australia, and Malaysia are a few, a study about the perception of tax evasion in Kosovo does not exist. Evidence on tax evasion perception found in the developing countries may not be generalized to the context of Kosovo because of the differences in the environmental factors such as economy, business, culture, and regulations. Consequently, differences in the environmental factors are expected to cause differences in the perception.

The results of this study should be useful to business and government representatives in Kosovo and elsewhere in the Balkans or wider.

Keywords: tax evasion, tax ethics, crimes, Kosovo

1. Introduction

It is no doubt that, in every country tax evasion has weakened the government's tax and lowered the ability of government to provide public goods. Additionally, the tax evasion also causes some other problems being adverse to the economic development. For example, the tax evasion distorts the tax system, increasing the deadweight loss. While increasing the government's law enforcement costs, it also reduces the government tax revenue and the ability to repay. Therefore, to examine the perception of tax evasion as a crime is very important for us.

1.1. Literature Review

Although many studies regarding tax evasion have been made worldwide, there are just a few studies made of Kosovo as a case study. Abdixhiku, L., in his doctoral dissertation defines tax evasion as one of the major problems facing transition and developing economies. According to him, it imposes several economic costs: it slows down economic growth; it diverts resources to

unproductive activities; it provides an incentive for firms to remain small and invisible; and it generates inequity between the evaders and the honest taxpayers. The aim of his thesis has been to investigate the determinants of business tax evasion for transition economies. He has adapted the individual theory to the case of businesses; that is by assuming that the behavior of businesses is similar to the behavior of individuals, and that the determinants of business tax evasion may be similar, at least qualitatively, to the determinants of tax evasion by individuals or households. More specifically, beyond theoretical and empirical review of the tax evasion literature, this thesis provides three related empirical investigations: a panel investigation of tax evasion at the country level; a pooled-cross section investigation of firm-level behavior across the transition economies and a cross-section investigation of business tax evasion and tax morale in Kosovo. [2]

Tax compliance is mainly seen from a financial and economic point of view, rather than a psychological or philosophical point of view. One of the most important and rare documents regarding the ethics of tax evasion was a doctoral thesis written by Martin Crowe (1944). This thesis covered the moral point of view of paying taxes to the government. This paper is mostly focused on Crowe's writing and on Robert McGee's articles related to the perception of tax evasion as a crime, conducted in different countries. [3]

Tax evasion is inevitable. Only most fanciful thoughts can dream of a world whose citizens inspired by altruism, pride or even religious passion and beliefs are willing to fully comply without the need for institutional enforcement. [4]

2. Methodology and Results

2.1. Methodology

This research tries to investigate the level of seriousness of tax evasion compared to other offences. A comparison will be made among the rank of each crime and violation given by the respondents as a high or low rank crime or violation. Further, the tax evasion crime rank will be identified among the list of the offences to determine the level of the seriousness of this crime compared to other offences.

The level of seriousness of tax evasion compared to other crimes and violation has been evidenced, previously, by a few studies. [1][5] The results indicated by those studies that there is a significant difference in the perceptions of tax evasion compared with violent crimes, drug related crimes and traffic offences. The results suggest that people do not perceive tax evasion to be as serious as violent crime and drug related crimes. Thus, the following hypothesis is developed to be tested by the current study:

H1: Tax evasion is perceived a less serious crime compared to other offences.

A sample of 365 individuals from Kosovo was selected for the current study to obtain data from using the disproportionate stratified random sampling. These individuals are the most suitable people to provide data about the dimensions of the study. Under simple random sampling, all elements in the population are considered and each element has an equal chance of being chosen as the subject. The sample subjects include individuals who are students, working for private and governmental sectors, businessmen, jobless and self-employed individuals. Two hundred sixty-nine (269) questionnaires were returned, which represent a 76.85% response rate. Forty percent of the sample was female and sixty percent male.

In this study, data are obtained from primary sources by conducting a survey. Using this method of data collection, individuals were asked to fill in the self administered questionnaire. This questionnaire is adopted and adapted from the previous studies conducted to measure the perceptions toward tax evasion as a crime by McGee, Robert. [3] A survey is chosen because it involves surveying people and recording their responses for analysis. The strength of the survey

as a primary data collecting approach is that it does not require a visual or other objective perception of the information sought. [6]

2.2. Results

The questionnaire is divided into two sections. The first section of the questionnaire is designed to obtain demographic characteristics of the respondents, and the second section measured opinions on 50 different offences. The respondents are asked to indicate their agreement on all items by indicating numbers from 1 to 100, representing the following levels:

1-20 Not Serious

21-40 Somewhat Serious

41-60 Serious

61-80 Very Serious

81-100 Extremely Serious.

As we already mentioned, the first part of the questionnaire is designed to obtain a demographic profile of the respondents. Questions asked in this part relate to age, gender, marital status, education, birthplace, and religion.

As shown in Table 1, the majority of the respondents (60%) were male, and 40% were female. The largest group (68%), in terms of age, was those aged between 18 and 29. Specifically, 17% were aged between 30 and 49, while 15% were aged above 50. In terms of marital status, the majority of the respondents (80%) were single, 19% was married, and 1% was either divorced or widowed. Regarding the level of education, the largest group (64%) was undergraduate student or a bachelor degree holder, 23% was a graduate student or graduated, and 13% have other kind of education. The majority of respondents (76%) were Muslim, 14% were Catholics, 4% were Orthodox and 6% have different beliefs. In terms of birthplace, 96% were born in Kosovo, and the rest somewhere else.

Table 1 Socio-demographic data of respondents

Demographic Variables	Frequency (n=269)	Percent
Gender		
Male	162	60
Female	107	40
Age (years)		
18-29	183	68
30-49	47	17
50 and above	39	15
Marital Status		
Single	214	80
Married	52	19
Other	3	1
Education		
Undergraduate	162	64
Graduate	73	23
Other	34	13
Major		
Accounting	29	11
Business	131	48
Law	45	17
Other	64	24
Born in		
Kosovo	258	96
Elsewhere	11	4
Religion		
Islam	204	76
Catholic	37	14
Orthodox	11	4
Agnostic/Atheist	1	0
Other	16	6

The second section highlights perceived differences in perception of tax evasion offences compared to other offences. Table 2 highlights the Mean Scores and Rank of the 50 offences examined under this study.

As it is shown in Table 2 that the most five serious crimes are murdering someone, and drug trafficking/dealing. On the other side, the least serious offences are ranked as: Overstatement of tax deductions; Understatement of taxable income; Ticket scalping; Failing to report rental income; Cheating on your tax return. It is obvious that the three items related to tax evasion are ranked 46th, 49th and 50th offences.

Importantly, the results of the previous studies ranked the first five offences to be murder, rape and child molestation, drug trafficking and robbery with firearms and the least serious crimes as failure to submit a tax return, driving while using mobile phone, speeding, overstatement of tax deductions and understatement of taxable income. [5]

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Table 2 Perceptions towards Tax Evasion Compared to Other Offences

Description of Offense	Mean	Rank
Killing a nice person who has a family and who is a productive member of the community	99.21	1
Killing someone who asked you to kill them because they have a terminal disease and are in a lot of pain	98.76	2
Killing a politician	97.23	3
Killing a drug dealer	96.03	4
Taking hard drugs	94.02	5
Selling hard drugs	92.33	6
Rape	91.35	7
Soliciting a prostitute	87.45	8
Sexually harassing someone	85.64	9
Prostitution	83.22	10
Smoking marijuana	81.17	11
Selling marijuana	80.05	12
Causing a hit-and-run accident	78.77	13
Driving through a red light	76.58	14
Driving without a license	74.24	15
Driving while intoxicated	72.04	16
Firing someone because of delivery and child care	71.02	17
Paying less than the minimum wage	69.87	18
Not hiring someone because of age	67.22	19
Not hiring someone because of gender	66.45	20
Bicycle theft	65.78	21
Stealing \$50 from a friend	65.38	22
Pocketing \$50 from the company which you work for	64.87	23
Stealing \$50 from a stranger	64.33	24
Shoplifting	64.12	25
Robbery	63.89	26
Avoiding a fare on a bus (that is owned by a private company)	62.33	27
Avoiding a fare on a bus (that is owned by the local government)	61.59	28
Helping a client cheat on taxes	60.87	29
Faking one's academic record	60.43	30
Claiming government benefits to which you are not entitled	59.76	31
Speeding – driving over the speed limit	58.45	32
Soliciting a bribe	58.13	33
Cheating on an exam	57.88	34
Accepting an unsolicited bribe	56.65	35
Paying a bribe when pressured to do so	56.32	36
Offering to pay a bribe	55.23	37
Purchasing a term paper and submitting it as your own	54.25	38
Sneaking into a movie without paying	53.24	39
Buying a pirated CD/DVD	52.64	40
Copying software illegally	51.46	41
Paying cash to avoid paying sales tax [value added tax]	50.74	42
Accounting fraud	50.62	43
Insider stock trading	49.28	44

Insurance fraud	49.12	45
Cheating on your tax return	48.35	46
Failing to report rental income	47.54	47
Ticket scalping (purchasing a ticket to an event and reselling it at a higher price)	46.48	48
Understatement of taxable income	45.79	49
Overstatement of tax deductions	45.12	50

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The results of the performed analysis indicate that citizens of Kosovo perceive tax evasion as the least serious crime compared to the other 47 given offences and there is a difference between the category of tax evasion as a crime and the other categories of crimes in terms of their severity. The three tax evasion items were ranked 46th, 49th and 50th offences out of 50 crimes and the tax evasion category was ranked as the least mean score. Accordingly, hypothesis H1, which is developed as tax evasion is perceived a less serious crime compared to other offences, is accepted.

The general trend of perceptions seems to be similar and consistent with the previous studies of Karlinsky et al. [1] and Abdual Manaf and Abdul Jabbar [5]. Kandri, E. and Mamuti, A., are considering that tax evasion is not a matter of state financial policies rather than a society's principles and morals. Nevertheless, it may never be addressed as an ethical deed rather than lack of will to contribute to the society you live in.[7]

Limitations and Recommendations

This study is still subject to some limitations. One of the limitations of this study is that this paper has reported 269 respondents' opinion towards tax evasion. Thus, the results have not shown a whole picture of all people in Kosovo. Future research is required to extend the results of this research and fill in this gap. The second limitation of this study is that the time considered under investigation is limited to the perception of people in 2016. Hence, future research is required to extend the results of this study by covering a range of previous years to this study and/or post-periods to this study. Finally, this study has explored the perception of people from Kosovo towards tax evasion using questionnaires. Therefore, the results found in this study are limited to the methodological approach used. Future research is required to extend and confirm these results by using different methodological approaches and introducing several variables such as the country-specific factors: culture, political system, economic development, etc.

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