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EFFICIENCY OF TAX ADMINISTRATION: CASE OF SHKODRA REGIONAL TAX DIRECTORATE

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Abstract
The aim of this research is to determine factors that influence efficiency of the tax administration in a Regional Tax Directorate in Albania. There is a growing interest on improving the efficiency of tax administrations in order to reduce costs while offering better services to all members of community. Efficiency improving depend on how well these organizations design their internal organizational structures; how well they manage budgeted funds; how they use ICTs and e-government actions to reduce costs; and how they manage human resources (OECD, 2011). Data were collected through questionnaires distributed to some of employees working in Shkodra Tax Directorate, one of the most important Tax Directorate in Albania. The results of the study indicate that taxpayer culture and employee treatment have a significant impact on tax administration efficiency. Furthermore, the findings show that there is positive relationship between taxpayer culture and employee treatment and tax administration efficiency.

Keywords: Tax Administration, Efficiency, Shkodra Directorate of Taxation, Taxpayer Culture, Employees Treatment, Albania

INTRODUCTION

Increasing tax revenue is a function of effective administration strategy which is the completely responsibility of tax administration (Abiola & Asiweh, 2012). Performance measurement systems can provide several types of information, including information about:

- inputs include resources dedicated to or consumed by the program. Examples are money, staff and staff time, facilities, equipment, and supplies;
- activities are what the program does with the inputs to fulfill its mission;

- outputs are the direct products of program activities and usually are measured in terms of the volume of work accomplished, for example, the numbers of audits conducted, appeals resolved, enforced collection actions, etc;
- results are benefits for individuals or populations or government during or after completion of the program activities;
- performance indicators describe the measurement of essential and useful information about the performance of a strategy expressed as a percentage, index, rate or other comparison which is monitored at regular time periods and is compared to one or more criteria;
- key performance indicators are quantifiable measurements, agreed before, that show the critical success factors of an organization;
- standards (or targets) are directions that enable an organization to use performance indicators to "judge" performance (Crandall, 2010).

Shagari (2014) concludes that there is a significant relationship between tax administration efficiency and autonomy of board of internal revenue, information and communications technology and public enlightenment. The study also finds out that there is no significant relationship between tax administration efficiency and strong audit practice and motivation and incentives and perceived corruption. It is essential for tax administration to understand and find out factors that affect efficiency of tax administration. Tax administration has mainly three main types of expenses: administrative costs, salary costs and IT costs. IT expenditure was defined as the total costs of providing IT support for all administrative operations (OECD, 2011).

Research Objectives

1. To evidence how information system of tax administration, objectivity of tax administration, tax audit, employee treatment and taxpayer culture influence tax administration efficiency in Shkodra Regional Tax Directorate;
2. To give a general overview of tax efficiency of the tax directorate;
3. To give conclusions to improve situation.

Research Questions and Hypotheses

1. What are the potential factors impacting tax administration efficiency?
2. Is there a significant relationship between information system, tax audit, objectivity of tax administration, employees treatment and taxpayer culture and tax administration efficiency?

Regarding the research questions the following hypotheses are risen:

H_1: There is a significant impact of information system of tax administration on tax administration efficiency.

H_2: There is a significant impact of tax audit on tax administration efficiency.

H_3: There is a significant impact of employee treatment on tax administration efficiency.

H_4 There is a significant impact of taxpayer culture on tax administration efficiency.

H_5 There is a significant impact of objectivity of tax administration on tax administration efficiency.

Table 1: Efficiency of Shkodra Tax Directorate

	Expenditure			*in ALL*
	Code	**2015**	**2014**	**2013**
Salaries	**600**	**83,095,419**	**90,939,036**	**88,781,728**
Social and Health insurance contribution	**601**	**13,342,096**	**14,874,583**	**14,752,471**
Other facilities	**602**	**33,991,277**	**4,439,996**	**3,836,808**
Totals		**130,428,792**	**110,253,615**	**107,371,007**
Telephone expenses	6022003	337,966	507,930	434,570
Water	6022002	50,545	55,749	59,370
Electricity	6022001	1,278,341	1,370,522	1,270,931
Postage	6022004	897,873	1,398,973	1,420,471
Books and other professional publication	6021007	22,500	56,950	
Taxes paid by the institution	6029008	69,920	103,126	134,157
Maintenance and Repairs	6025800	246,500	382,200	146,100
Legal charges	6029003	464,081	21,000	48,000
Maintenance for buildings	6025300	226,200	0	0
Car rent expenses	6026400	99,180	0	0
Travelling expenses	6024100	221,320	31,110	0
Vehicle insurance	6023300	273,593	98,738	0
Documents purchasing	6020500	99,960	97,300	60,840
Other expenses for car maintenance	6023200	98,922	216,638	195,299
Materials for cleaning, heating and lighting	6020200	98,136	99,756	67,070
Other facilities	6022099	44,840	4	0
Expenses for other unpaid reimbursement	6027900	29,461,400	0	0
Total revenues collected		4,439,259,201	4,207,500,000	4,105,909,000
Expenses/Income		**2.94%**	**2.62%**	**2.62%**
		0.029381	**0.026204**	**0.026150**

Source: Ministry of Finance, Albania

As it can be seen from table 1 the expenditure of tax administration in Shkodra are high relatively with tax revenues collection.

METHODOLOGY

For the purpose of study, a descriptive research design was adopted. In order to explore the factors that affect efficiency of tax administration in Albania a questionnaire is conducted. Data were collected through questionnaires distributed to some of employees working in Shkodra Regional Tax Directorate, Albania.

A total of 50 usable responses were received out of nearly 200 employees working in this public institution. The questionnaire was designed to measure the opinion of employees based on Likert scale (from 1-strongly agree to 5-strongly disagree) regarding tax administration efficiency (dependent variable), information system, tax audit, objectivity of tax administration, employees treatment and taxpayer culture (independent variables). The data were processed through Eviews for inferential statistics.

ANALYSIS AND RESULTS

Efficiency Regression Equation

Table 2: Regression Output (Eview)

Dependent Variable: EF3
Method: Least Squares
Sample: 1 50
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.121013	0.655306	1.710672	0.0937
TC	0.369714	0.198992	1.857936	0.0694
ET	0.338548	0.151288	2.237779	0.0300
R-squared	0.234151	Mean dependent var		3.500000
Adjusted R-squared	0.201562	S.D. dependent var		0.952976
S.E. of regression	0.851535	Akaike info criterion		2.574573
Sum squared resid	34.08027	Schwarz criterion		2.689294
Log likelihood	-61.36431	F-statistic		7.184913
Durbin-Watson stat	1.459249	Prob(F-statistic)		0.001894

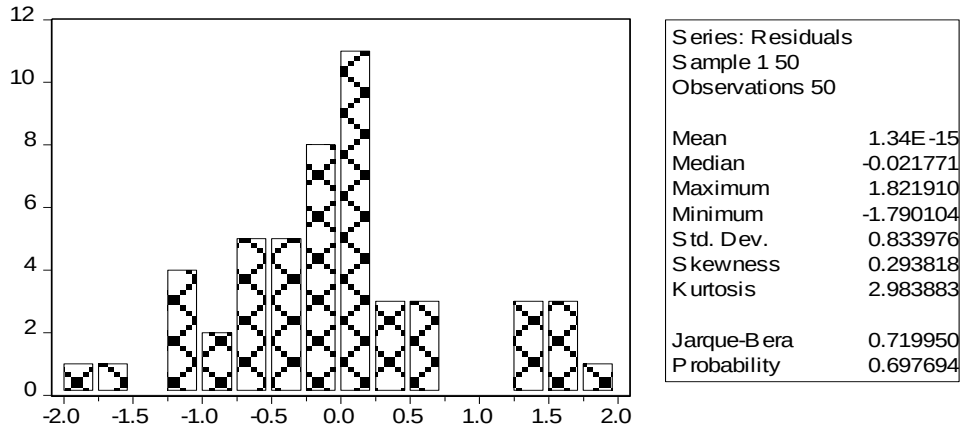
Regression equation:

Y(efficiency of tax administration) = 1.12 + 0.369714TC + 0.338548ET

The coefficient of determination, R-squared, measures the percentage (23.41%) of efficiency variation explained by Taxpayer Culture (TC) and Employee Treatment (ET). The other part is explained by factors not taken into consideration in this study.

Normality

Figure 1: Normality Graph



Since Jarque-Bera statistic is 0.719950 and its corresponding p values is 0.697694 > 0.05 null hypothesis that residuals are normal is not rejected.

Heteroskedasticity

Table 3: Heteroskedasticity Test

White Heteroskedasticity Test:

F-statistic	2.237201	Probability	0.079938
Obs*R-squared	8.293793	Probability	0.081390

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Sample: 1 50
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.435196	2.270488	1.072543	0.2892
TC	0.181485	1.336761	0.135765	0.8926
TC^2	-0.045672	0.206614	-0.221050	0.8261
ET	-0.735531	0.813715	-0.903917	0.3709
ET^2	0.055356	0.132513	0.417739	0.6781
R-squared	0.165876	Mean dependent var		0.681605
Adjusted R-squared	0.091731	S.D. dependent var		0.969791
S.E. of regression	0.924241	Akaike info criterion		2.774951
Sum squared resid	38.43995	Schwarz criterion		2.966153
Log likelihood	-64.37378	F-statistic		2.237201
Durbin-Watson stat	2.233553	Prob(F-statistic)		0.079938

Since p value (0.081390) > 0.05, the null hypothesis of no heteroskedasticity is not rejected.

Serial Correlation

Table 4: Serial Correlation

F-statistic	1.941376	Probability	0.155339
Obs*R-squared	3.971496	Probability	0.137278

Test Equation:
Dependent Variable: RESID
Method: Least Squares

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.333256	0.677550	-0.491855	0.6252
TC	0.058332	0.197674	0.295093	0.7693
ET	0.041702	0.152317	0.273788	0.7855
RESID(-1)	0.284247	0.156773	1.813112	0.0765
RESID(-2)	0.026108	0.151952	0.171817	0.8644
R-squared	0.079430	Mean dependent var		3.15E-16
Adjusted R-squared	-0.002399	S.D. dependent var		0.833976
S.E. of regression	0.834975	Akaike info criterion		2.571810
Sum squared resid	31.37327	Schwarz criterion		2.763013
Log likelihood	-59.29526	F-statistic		0.970688
Durbin-Watson stat	1.989690	Prob(F-statistic)		0.432955

Since p value (0.137278) > 0.05, the null hypothesis of no autocorrelation is not rejected.

Stability

Table 5: Stability Test

Ramsey RESET Test:

F-statistic	0.037323	Probability	0.963395
Log likelihood ratio	0.082871	Probability	0.959411

Test Equation:
Dependent Variable: EF3
Method: Least Squares
Sample: 1 50
Included observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.153046	1.841928	0.625999	0.5345
KT	-1.785060	7.932888	-0.225020	0.8230
TP	-1.635490	7.257941	-0.225338	0.8227
FITTED^2	1.691309	6.193015	0.273099	0.7860
FITTED^3	-0.160651	0.588505	-0.272982	0.7861
R-squared	0.235420	Mean dependent var		3.500000
Adjusted R-squared	0.167457	S.D. dependent var		0.952976
S.E. of regression	0.869532	Akaike info criterion		2.652915
Sum squared resid	34.02383	Schwarz criterion		2.844117
Log likelihood	-61.32288	F-statistic		3.463953
Durbin-Watson stat	1.505912	Prob(F-statistic)		0.015002

Since p value (0.959411) > 0.05, the model is specified in a good way.

CONCLUSIONS

This paper investigated the potential factors such as information system, tax audit, employee treatment, taxpayer culture and objectivity of tax administration affecting efficiency of tax administration in a regional tax directorate in Albania. The results of the study indicated that only employee treatment and taxpayer culture have a positive significant impact on efficiency of tax administration in Shkodra Tax Directorate. In order to increase the efficiency government should give a special attention to human resources politics and try to provide training to all taxpayer. Human resources politics should take into consideration motivation and payment of the employees and write clearly job description for every job position. The efficiency of tax administration in Shkodra Tax Directorate is low.

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