AN ANALYSIS OF TAX REFORMS AND THEIR EFFECT ON ALBANIAN BUSINESSES' ATTITUDES

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Abstract

The tax system, which encompasses laws, rules, and the application of taxes, is a key indicator that has a big influence on society's health and a country's economic growth. This paper's goal is to investigate and evaluate Albania's tax laws' effectiveness as well as how businesses respond to periodic adjustments to the tax law. The authors-developed questionnaire, sent to 100 Tirana-based businesses, yielded the data used in this paper. Results revealed that there is a significant difference both in the total impact score and in the scores of Tax law change especially in terms of Decision-making (M=101.03; SD=1.82; p=0.045<0.05) and between Business Attitudes and Stress Management (M=100.45; SD=1.35; p=0.016 <0.05). Pearson correlations also show a positive relationship between Knowledge and Assertiveness (rw=.825), a positive relationship between Knowledge and Decision-Making (rw= .854), and a strong and positive relationship between Knowledge and Raising Collaboration (rw= 1.54). The study's overall data reveals a strong correlation between tax system modifications and businesses' perceptions of the effects of government fiscal policies.

Keywords: Albanian Tax Law, tax system, business attitudes, raising awareness, fiscal education

INTRODUCTION

Albania, a former socialist country with a centrally planned economy, has undergone a long transition to a market economy since 1990 until today (Behrani & Hysa, 2014). Over the past 30 years, the tax system has changed many times, affecting the health of the economy and businesses. The origins of centralized power in Albania go back to World War II. Albania built a communist regime that continually increased the concentration of political and economic power in the hands of the state (Berhani & Hysa, 2014). The private sector disappeared and Albania became an extremely closed, centralized state with no traditional tax system, among other things. Almost all economic and Decision-making power was concentrated in the Communist Party and its centralized institutions (Beharni & Hysa, 2014: Pojani, 2009). Therefore, when political and economic changes began in the early 1990s, Albania had no tax system and had to virtually start from scratch. The first legal elements and regulations related to the start of the tax system were introduced in 1991 and 1992 with several parliamentary decrees and government decisions allowing liberal initiatives and sole proprietorships, which are tied to some simple tax rules (Pojani, 2009; Kume, 2000). The law continued to evolve to improve regulations and better align the tax system for individuals, businesses, tax authorities, and the economy as a whole (Kume, 2000). The impact on the economy was different depending on each period and was related to budget revenue sources as well as taxpayers' adaptation. This study aims to analyze tax policies, based on their evolution over time and their impact on businesses on the effectiveness of tax policy implementation, management, and distribution in Albania. The tax system itself is a closed, self-perpetuating loop in which the government collects taxes and redistributes them through spending (Berhani & Hysa, 2014). The impact is reflected directly in living standards and equity, on the question of who pays the tax, how much they pay, who benefits from it, and whether the taxpayer gets more or less from the state budget.

LITERATURE REVIEW

In 1939, Harrod emphasized the necessity of considering the influence of government actions on economic progress (cited in Blume et al., 2015). The author showed how the path of economic growth toward the equilibrium of the economy might be impacted by this source of change in aggregate demand in multiple ways. The function and role of government policies as economic stabilizers have been explained also by a variety of theoretical models (Harrod, 1939, p. 23). Scholars have reviewed the influence of the taxation system on micro and macroeconomic stability. According to Robert Barro'stax smoothing hypothesis (TSH), the ideal tax rate is restrictive if the marginal cost of raising tax collections rises (1979). According to the model, tax rate adjustments will remain stable due to their disparate effects on economic growth. In the case

of endogenous growth models, short-term government spending initiatives boost output but have no effect on spending policy variations or shocks (Barro, 195). In 2003, Zagler and Durnecker developed a model to show how various tax policies impact the pace of economic growth in a nation. Some of the most crucial components of endogenous models are present in their model. Economic theories attribute growth to taxes because they affect the choices made by economic agents. In 1999, Stiglitz made a distinction between distortionary taxes, in which people can take steps to lower their tax liabilities, and non-distortionary taxation, where people cannot change their tax liabilities. Therefore, taxation influences economic growth because it alters economic decisions (Prammer D., 2011, pp. 3-11). In 1999, using data from 22 OECD member countries, Kneller et al., showed that distortive taxes reduce economic growth while non-distortive taxes do not produce the same effect, and efficient Government spending stimulates growth. Various scholars have been interested in researching economic growth and taxation systems. Through cross-sectoral regression analysis, Koester and Kormendi (1988) showed that the average fixed or conditional tax rate, or marginal tax rate, hurt production growth (Koester and Kormendi, 1988). Easterly and Rebelo (1993) and then Mendoza et al.(1997), in their respective works, found that long-run growth is not affected by taxes. Unlike them, Widmalm, in 2001, using data from 23 OECD countries, found that income taxes hurt economic growth. Kocherlakota and Yi (1997) used 100 years of historical data in the United States and the United Kingdom and showed that when a tax variable is included in regression with a public capital variable, the tax variables provide direct evidence of the existence of endogenous models in the long run. A tax system that distorts the incentives of private entities to invest can delay investment and economic growth (Eid, 2017; Lewis & Winkler, 2015; Blanchart & Perotti, 2002). If the system can lead to the internationalization of external factors (externalities) by private entities, it can bring about efficient resource allocation and thus promote investment and economic growth (Blanchard & Perotti, 2002). In the Albanian context, scholars have argued on the impact of fiscal policies over business effectiveness. Mançellari (2010) studied the macroeconomic impact of fiscal policy in Albania using structural vector autoregressive models to measure the response of GDP, prices, and interest rates to shocks to spending regular, capital expenditures, and government tax revenues. The tax cut is said to have the highest fiscal multiplier, reaching 1.65 points after four quarters. Between recurrent and investment expenditure, investment expenditure multiplies GDP by 0.95 after one quarter, while recurrent expenditure multiplies by 0.69 at the maximum point, after one quarter. While tax cuts lead to increases in interest rates due to increased consumption and reduced savings, shocks to capital and recurrent spending do not lead to statistically significant changes in interest rates. Increases in capital spending do not have a statistically significant impact on prices (Mançellari, 2010). Studies show that tax levels have a significant influence on

establishing the right balance between savings and investment, and thus on economic growth (Michaud & Robert, 2017; Lewis & Winkler, 2015; Qurku & Asllani, 2014; Shijaku & Gjokuta, 2013; Schuknecht, 1996). Martinez-Vazquez et al.(2011); Li & Sarte (2004); Kneller et al.,(1999), and Padovano & Galli (2001) studies discuss the significant impact of tax structure on economic growth. Gordon and Li (2009) argue that higher corporate tax rates are associated with lower economic growth rates. Taxes affect economic progress, but not all taxes affect to the same degree. A comparison between the two important taxes that individuals face, *consumption taxes and personal income taxes*, illustrates the differential impacts. Consumption taxes do not discourage investment and they focus on investments that are subject to international trade (McNabb, 2018). Consumption taxes may only be an issue for non-commercial goods, but knowing how to allocate this type of tax, such as VAT, will show an even distribution. Income taxes, on the other hand, are characterized by progressive tax rates, so they slow down the unit growth rate more than other taxes with fixed tax rates. Additionally, in the endogenous models discussed above, income taxes reduce GDP more than consumption taxes because they are part of the discretionary tax pool (McNabb, 2018). Albanian scholars have also addressed the relation between tax structure and economic growth. Kazazi´s commentary analysis on the main changes in the tax and customs legislation according to the 2019 fiscal package, is one of these references. The author has thoroughly examined the issue of the disproportionate allocation of the tax burden, as well as the high cost of social and health contributions (for VAT and personal income tax) (Kazazi, 2019). By the ideas of horizontal and vertical equality, the author proposes raising taxes on independent business owners and maintaining a low level of progressivity. He cautions against ignoring the benefits in light of other considerations, such as tax rate reductions, which might create dangerous situations in nations with weak tax systems such as Albania.

An overview of the adjustments made to Albania's tax laws from 1990 until 2021

It is necessary to view and categorize the tax periods in Albania with a focus on the periods with the greatest impact on the economy and the provisions related to them. Authors have categorized five tax periods here by examining the most significant legislation and its amendments:

1. **The "Profit Tax Law**," which was issued to control the taxation of legal companies by first identifying them with local capital, joint ventures, or foreign capital, was one of the tax laws that made up the first tax system created in 1991–1992 in Albania (Qurku & Asllani, 2014). Domestic businesses paid a 30% profit tax, whereas foreign-cap companies paid a 50% profit tax but were also eligible for several tax breaks and incentives. The aforementioned tax regime was extremely ineffective, generating less than 24% of the anticipated 1992

revenues. The public sector contributed about 80% of tax receipts, with the new private sector accounting for only 20% (Koprencka et al., 2013).

2. **Tax reforms 2013 – 2019**. Concerning 2013, there have been several modifications made to the tax laws. The socialist administration decided to do away with the 10% flat tax, increase the flat-rate profit tax to 15%, and reinstate the progressive income tax from employment—albeit only at rates of 13% and 23%—while maintaining the minimum non-taxable monthly wage of $30,000. For small enterprises making between $2 and $8 million, the simplified profit tax was reduced to 7.5%. At the close of 2014, a new VAT law was unveiled, greatly streamlining the processes for VAT declaration, payments, and procedures. The new reduced rate of 6% was implemented in addition to the usual rate of 20% VAT. The reduced earnings tax for companies with up to five percent in annual revenue. Businesses with a revenue of between $5 and $8 million were all required to pay a 5% profit-sharing tax (Kóczán, 2016; Koprencka et al., 2013). The VAT threshold was lowered to 2 million ALL of turnover in 2017, however, firms up to 14 million ALL were still subject to the lower profit tax rate of 5%. The dividend tax was lowered from 15% to 8% in 2018.

3. **Tax changes in 2020-2021.** Post-2019 tax changes, in particular those taking place in 2020, effective January 1, 2021, were significant changes influenced by two main factors: COVID-19 and the national elections. The pandemic significantly affected Albanian businesses, accompanied by economic and tax reforms.

Among the significant changes, we can refer to two fundamental ones: - In the VAT law, the threshold of 2 million Albanian leks (ALL) has been canceled for self-employed persons, and a new threshold of 10 million ALL has been set for each type of business, including self-employed businesses; - In the income tax law, for all companies with an annual turnover up to ALL 14,000,000, the proportional tax has been set at 0%.

These changes have significantly increased the number of registered businesses, mainly traditional traders who have severed their employment relationships and converted to private enterprises. The changes mentioned are probably the "strongest" ones created. In recent years, thanks to these changes, many subjects have been excluded from the VAT regime and do not have to pay tax. Such exemptions can be understood as stimulating the formal economy, as taxpayers tend to charge more (Demi et al., 2021). The impact on the informal economy, nevertheless, remains at a high rate, as most Taxpayers charge within the brackets mentioned above, to be exempted and not subject to Value Added Tax and Profit Tax (Demi et al., 2021).

This period also coincided with the implementation of the Law on Invoices and Circulation Monitoring System or the so-called Tax Law (see Law No.87/2019). The law is partly aligned

with Directive 2014/55 EU of the European Parliament and the Council, "*On electronic invoicing in public procurement*" and the Council Directive 2006/112/EC, "*On the common system of tax on added value*", amended. This law was scheduled to take effect in January 2020, but due to the pandemic, its implementation was postponed until 2021 and was divided into three stages as follows:

- January 1, 2021, for businesses that issue invoices to budgetary institutions (B2G);
- July 1, 2021, for businesses that issue invoices to businesses (B2B).
- September 11, 2021, for businesses that issue invoices to individuals (B2I).

The implementation of this law has not yet been fully completed, even though it has been in effect for more than a year for businesses that transact with budgetary institutions. This is because many taxpayers, primarily small taxpayers, have not completed any procedures, and large taxpayers, despite their commitment to fully implement the new law, have encountered numerous infrastructure-related issues.

Albania's tax burden and adherence to fundamental tax principles

Taxation is a key tool for economic development because of its efficiency and impartiality in tax policy and implementation, among other crucial principles (Yoshino et al. 2019; Srithongrung & Kriz, 2014; Berhani,2014; Taha et al., 2013; Rek, 2001; Chari et al., 1994). When the tax system is as neutral as possible and does not impede the free market or competition, efficiency can be attained (Rek,2001). When creating clear and practical tax regulations, various factors must be considered, including the degree of development, the education of both taxpayers and the general public, the customs and tax administration's history, professionalism, and capabilities, etc. Even the "*translation"* of the provisions from the "*best practices*" should not be carried out without being appropriately adjusted to the current circumstances of local taxpayers and the tax administration, who should unquestionably be always informed, educated, and trained in addition to having the right to be penalized for infractions (Bougrine, 2012; Chojnicki & Docquier, 2006). Any tax law, rule, or practice must be easy to understand to both tax inspectors and the majority of taxpayers. The written regulations, of course, cannot describe every transaction or business situation, but the interpretation and application of the rules by the tax and customs authorities must adhere to the essence of the law. When feasible, tax and customs authorities, but also taxpayers and their representatives should request additional rulings; they should then be released and uniformly applied by all tax and customs authorities across the nation (Chojnicki & Docquier, 2006). The discretionary powers of tax inspectors should be severely curtailed in transitional countries such as Albania,

where there is a certain degree of corruption (Kume, 2000). Conversely, emphasis should be placed on clear and concise written regulations, appropriate information, and education.

For international investors and taxpayers in Albania, uncertainty around tax treatment is a significant problem. There are companies (mostly multinationals, but also domestic consolidated businesses) that pay attention to this issue. As a result, they engage some professionals in the accounting, tax, and legal consulting fields, both locally and internationally, in addition to carefully chosen and well-paid employees. However, these companies still struggle to find security in their business practices, and they have consistently faced unfair tax audits and assessments, the majority of which are income tax-related, as well as drawn-out and expensive legal proceedings. One of the most fundamental tenets upon which tax laws and related rules rest is the *principle of equality* (Qurku & Asllani, 2014). The same equitable treatment of taxpayers or groups of taxpayers is a prerequisite for equality and justice in tax treatment. Traditionally, there have been two sorts of equity used: *vertical equity*, which is progressive taxation where taxpayers with higher net incomes bear a greater fiscal burden, and *horizontal equality*, which treats taxpayers in the same or similar conditions equally (Meussen, 1999). According to the equality or fairness concept, no one should receive preferential or discriminatory tax treatment, and rules should be acceptable and logically applied equally and impartially (Meussen, 1999).

Albania's tax laws have inadvertently led to discriminatory treatment and enabled taxpayers to "modify" their status and position in the legal system without considering the importance of the economy. The taxation of self-employment and small business income relative to that of employees is the best illustration of this.

Figure 1: Taxation of income from employment
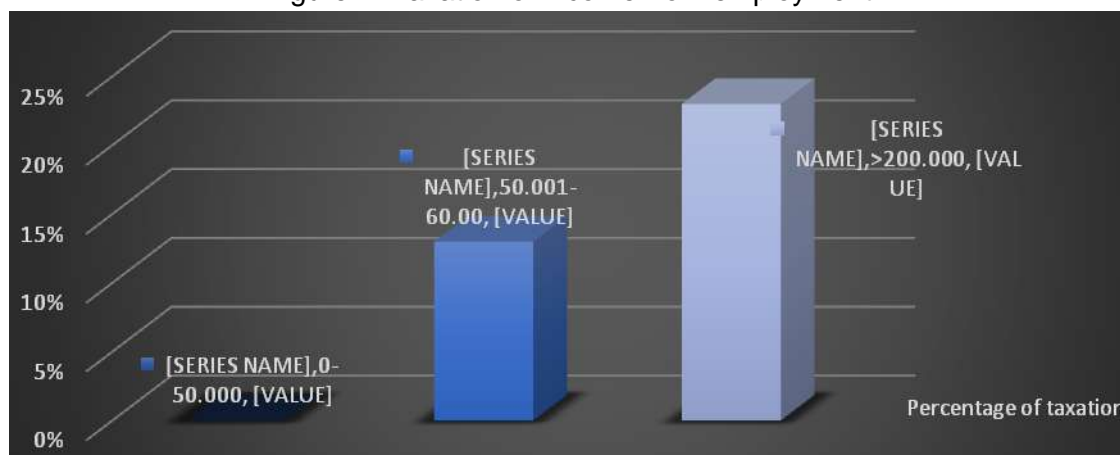
Source: Ministry of Finance of Albania, 2023

Independent contractors and small business owners with annual turnover up to ALL 14 million are subject to 0% tax. The concept of equality is breached when we compare the annual tax on employment income to the tax on the profit of persons registered as independent companies.

Table 1. Comparison of taxation for different income levels

No	Job description	Annual gross income, in ALL	Calculation of the annual tax (2019), in ALL
1	Employed accountant, physician, dentist, architect, IT, etc.	1,800,000	(1,800,000 – 360,000) x 13% = **187,200 ALL**
2	Accountant, physician, dentist, architect, IT, registered independent business	2,000,000	Income tax 0%
3	Employed accountant, physician, dentist, architect, IT etc	4,000,000	187,200 + (4,000,000 – 1,800,000) x 23% = **237,800 ALL**
4	Accountant, physician, dentist, architect, IT, registered independent business	5,000,000	Income tax 0**%**
5	Employed accountant, physician, dentist, architect, IT etc	10,000,000	187,200 + (10,000,000 – 360,000) x 23% = **2,073,200 ALL**
6	Accountant, physician, dentist, architect, IT, registered independent business	14,000,000	Income tax 0%

Source: Data obtained from the General Directorate of

Taxes and elaborated by the author.

The aforementioned disparities in tax treatment blatantly transgress the equality principle and have given rise to numerous tax evasion methods that encourage workers to register as sole proprietorships and charge their employers (Muharremi et al., 2014; Gërxhani, 2004). The exemption of enterprises with annual turnovers up to 14 million ALL from taxing their profits or paying taxes, in contrast to the regular tax rate of 15% for large businesses with annual turnovers above 14 million ALL, has also been found to violate the principles of fair competition and equality. Once more, this has resulted in various tax evasion strategies by numerous companies that either split their company or fail to record all of their sales to benefit from lower profit tax rates (Muharremi et al., 2014).

Starting from April 1, 2022, the new Employment Income Tax Law has entered into force, with progressive taxation as shown in the table 2.

Table 2. Employment Income Tax in Albania since 2022

Salary income in ALL/month		Taxable income in ALL/month		Tax rate in percentage/month
From	To	From	To	
0	40 000	0	40 000	0%
40 001	50 000	0	30 000	0%
		30 001	50 000	50% * 13% of the amount over 30 000 ALL
50 001	Above	0	30 000	0%
		30 001	200 000	13% of the amount over 30 000 ALL
		200 001	Above	22 100 ALL + 23% of the amount over 200 000 ALL

This tax system is still progressive to varying degrees. Employment Income Taxes are one of the most significant concerns of businesses in Albania since they directly impact people's income levels, and income levels in turn influence consumption, which in turn influences GDP levels. One of the most significant legal precepts that tax legislation and implementing regulations ought to be founded upon is the equity concept. Since the current employment tax system in Albania severely violates this crucial principle, we can conclude that the Albanian tax system is not founded on the idea of equality in laws and regulations. Equality and fairness in tax treatment refers to the idea that taxpayers should bear the same tax burden and be treated equally but this crucial tenet is seriously broken by the way employment is now taxed in Albania. Therefore, it may be inferred that the Albanian tax system creates difficulties in the implementation of the principle of equality (Kóczán, 2016).

METHODOLOGY

Design

This study used a quantitative and transversal method since the data was collected at one point. It is descriptive-correlational research since it explains and understands how the changes in fiscal legislation have impacted business attitudes and raised awareness.

Research hypotheses

This paper was written using primary data, specifically from 100 completed questionnaires that were sent via email to various business organizations in Albania. The most recent data collection (March and April 2023) is what makes up the evaluation of current trends, considering the COVID-19 pandemic and the War in Ukraine scenarios.

H$_0$ There is no impact on the taxpayer's awareness and attitudes by the regular changes of tax laws.

H$_1$ Businesses and taxpayers themselves are more conscious of the need to stay up to date on current concerns due to the regular changes in tax laws**.**

Materials and procedures

A questionnaire including 20 questions was created, 16 of which are closed-ended and 4 of which are open-ended, to get a more comprehensive understanding of taxpayers' opinions about the fiscal system and its changes over time. Between March and April of 2023, a survey was administered to one hundred legitimate legal entities; some were contacted directly by the chief financial officers, while others were contacted indirectly through an accounting studio. The questionnaire is divided into two sections: ten questions based on basic business data make up the first section and ten more questions that gather information on the annual tax in the second part. Moreover, the entire second section of the questionnaire deals with tax development. Considering the current study, this survey endeavors to address every pertinent aspect, thereby incorporating targeted inquiries concerning matters that affect all firms, such as the impact of the recent municipal tax hike. From a business perspective, the control and fairness aspects of the process are highlighted in the following questions. The remaining questions are consistent with how the fiscal system is perceived, which guarantees that participants can freely voice their thoughts. In SPSS version 28, the gathered data were processed and analyzed with the ANOVA model.

Variables

The variables of the present research are as follows:

- **Tax Law**: This study defines tax as the body of rules under which a public authority has a claim on taxpayers, requiring them to transfer to the authority part of their income or property (cited in Britannica,2023).

In the present study "tax law" is a dependent variable.

- **Business attitudes**: This study defines business attitudes as the set of feelings, beliefs, and values that the business ensures towards policies. In the present work," business attitudes" is an independent variable.

- **Raising Awareness**: This study defines raising awareness as the process that seeks to inform and educate people about a topic and influence their behavior, attitudes, and beliefs toward the achievement of the objective. In the present paper," raising awareness" is an independent variable.

In the present study, all the abovementioned variables are examined in clusters according to their factorial weight significance <0.4 (see Table 4).

Sample Size

The sample of the present research is composed of 10 small and medium-sized businesses in Tirana, Albania. The selected sample was 10 participants for the company with a total of 100 participants. The sample was composed of 60 (60%) women and 40(40%) men. The examination of differences in business attitudes and behaviors about employee gender is beyond the aim of the present paper and was not included in the current analysis.

Sampling Method

The present research is based on a non-probabilistic or intentional sample, since this sample is based on satisfying the characteristics of the researcher's interest, choosing from the deliberate business setting. Participants were selected through an open call in the selected businesses, which allowed their voluntary engagement.

Inclusive criteria:

- To be a regular staff of the selected business.
- To have the basic knowledge of the Albanian fiscal law.
- Be a resident of Albania.
- Have between 5-30 years of working experience.
- Accept of informed consent.

Exclusion criteria:

- To not know the Albanian fiscal law.
- To have less than 5 years of working experience in the same position.
- Be an external staff.
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Data administration

Questionnaires were distributed to several accounting businesses in Tirana. Of the 100 surveys distributed, all were filled out completely and validly. Based on the responses, 28 questionnaires were completed by business owners, 22 by directors, 46 by accountants, and 4 of these by consultants in companies as tax representatives.

Although the administration was completely achieved, there were also some limitations in data collection as the questionnaire only covered a certain period and the knowledge of tax law was not at the appropriate level of all experts.

RESULTS

The prevailing legal status in Albanian business circles is Limited Liability Company, followed by Individuals. According to the National Business Center (QKB), the legal form of companies shows that 50% of companies are limited liability companies (SHPK), 44% are natural persons and 2% are branches of foreign companies. In addition, 2% of the mare representative tax companies, 1% business shares, and 1% non-profit organizations. According to the data of the QKB, the Albanian market mainly consists of businesses run by a single owner. Indices show that Albanian companies are mainly owned by a single owner, about 65%, from two to five owners, 27%, from five to staff, 6% and more than ten, only 2% of the business. This reflects a more "family" business economy, meaning businesses are largely family-owned by one person. There is a long-standing tradition in the Albanian economy, almost linked to the communist regime and the transition of the 1990s, where people had to own their property and businesses (Kume, 2000). Most of the responding companies provide services with a total of 69%, followed by manufacturing at 17% and trading at 14%. Typically, accounting firms maintain service businesses, as this activity is easier to manage when outsourced, which is why results are also distributed in this form. Due to recent changes in Albanian law regarding the Tax Act in 2022, we asked taxpayers if they had any information on this matter and most of them did. Only 22% responded that they had no information, while 67% said that the implementation of this new law would make the tax situation and business environment worse. First, this reform directly increases costs so taxpayers are not ready for implementation. Regarding these results, further analysis was performed for 67% of these businesses. To test our hypothesis H_1=*Businesses and taxpayers themselves are more conscious of the need to stay up to date on current concerns due to the regular changes in tax legislation*, ANOVA analysis was performed. Indices of this analysis are shown in the following table.

Table 3. ANOVA Single Factor

SUMMARY

Groups	Count	Sum	Average	Variance
Q12	100.00	2,284.00	22.84	21.57
Q18. Do you have information on taxation? If yes, please write your opinion about it.	100.00	971.00	9.71	44.69

ANOVA

Source of Variation	SS	df	MS	F	P-value	F crit
Between groups	8,619.85	1.00	8,619.85	260.17	0.00	3.89
Within Groups	6,560.03	198.00	33.13			
Total	15,179.88	199.00				

The results of this question appear to be significant: *p<0.05*, indicating a significant difference between the groups. Therefore, we may conclude that the regular changes to tax laws raise people's knowledge and encourage companies to learn about new developments, like taxation.

To understand the impact of the independent variables of Tax Law changes on Decision-making and Raising Awareness, a t-test was performed (Table 4).

Table 4. t-test for difference in means by variables of influence

(Tax Law, business attitudes, Raising Awareness)

	Mean Tax Law	Mean business attitudes	Mean Raising Awareness	SD	t value	p-value
Total impact total	102.98	100.00	98.87	2.00	2.54	.82
Tax Law change	99.89	102.45	97.78	1.965	2.89	.76
Business Attitudes						
Decision-making	**101.03**	100.05	99.07	1.82	2.42	.045
Stress management	99,89	99.76	97.08	1.45	2.01	.67
Assertiveness	96.07	99.74	88.01	.92	1.002	.56
Management to stress	96.45	**100.45**	98.88	1.35	2.00	.0116
Raising Awareness						
Independence	99.76	103.05	102.87	2.01	2.003	.47
Interpersonal relations	96.53	100.00	100.77	1.62	2.00	.66
Social Responsibility	99.94	103.003	100.76	1.84	2.45	.48
Problem resolution	95.76	97.01	89.89	1.78	2.05	.47
Rasing Empathy	101.96	101.06	100.00	1.85	2.76	.45
Reality testing	99.01	99.05	98.87	1.65	2.00	.55
Flexibility	96.89	97.07	99.00	1.54	2.03	.58
Optimism	99.00	100.44	99.98	1.54	2.34	.54
Raising collaboration	**100.56**	**100.18**	100.25	1.45	2.00	.027
Raising competitiveness	**102.54**	**99.76**	98.09	1.54	2.45	.002
Raising compromising	97.88	96.05	99.00	1.55	2.056	.56

Source: Authors elaboration on own data

Table 4 shows that there is a significant difference both in the total impact score and in the scores of Tax law change especially in terms of Decision-making (M=101.03; SD=1.82; p=0.045<0.05). It also shows that business participants in this research are more competitive (M=102.54; SD=1.54; p=0.02<0.05) and increase collaboration when being informed about tax law changes (M=100.56; SD=1.45; p=0.027< 0.05). Regarding business attitudes, especially in terms of Stress Management (M=100.45; SD=1.35; p=0.016 <0.05), and are also more collaborative (M=100.18; SD=1.54; p=0.27<0.05) and competitive (M=99.76; SD=2.45; p<0.002<0.05).

Based on the most ranking scores clusters, the correlation index between Business Attitudes clusters and raising awareness of the business toward tax law was conducted. As it can be deduced, a positive relationship between Knowledge and Assertiveness (r_w=.825), a positive relationship between Knowledge and Decision-Making (r_w= .854), and a strong and positive relationship between Knowledge and Raising Collaboration (r_w= 1.54) was found. These results are in line with our t-test and ANOVA analysis.

Table 5. Pearson Correlations of Knowledge and Raising Awareness to Tax Legal Implications

	1. Assertiveness	2. Knowledge	3. Decision-making	4. Raising Collaboration	5. Raising Awareness
Total Impact	.657	.767	.269**	.874	1.034**
N	100	100	100	100	100

*** $p<0.01$**, $p<0.05$*, $p<0.1$ *Source:* Author elaboration on own data.

To fully understand the impact of Tax Law on the way businesses develop their attitudes toward fiscal policies, a linear regression was performed. Referring to the correlations in the Model Summary of the following table, the value of 0.4 was considered significant. Table 6 shows the coefficients of the regression of each variable of the study. The present R=. 800, which reveals a good variability and R_{square}=.687 reveals that there is enough influence between Tax law changes and business attitudes clusters.

Table 6. Multiple Regression of Tax Law changes and business attitudes

	Variables Entered /Removed	Variables Removed	
Model	Variables Entered		Method
1	Business Attitudes		Enter
a. **Dependent Variable Tax Law**			
b. **All requested variables entered**			
Model Summary			
Model	R	R Square	Adjusted R Square	Std. error in the estimate
1	.800[a]	.678	.620	.459
Predictors: (Constant), Conflict Resolution Styles				

Source: Author's elaboration on own data

DISCUSSION

This paper's primary goal is to analyze the impact of the changes in Albania's tax laws from the perspective of businesses by examining the country's tax system and ensuring that the country's core tax principles are followed.

To determine whether Albania is among the nations with a tax system that adheres to the fundamental tax principles, this paper examines the Albanian tax system during the crucial transition time with an emphasis on the stability of the laws. We assessed the opinion of the 100 business companies in Tirana regarding their attitudes toward the regular changes in tax laws.

The main clusters that compose this research are a) tax laws, b) business attitudes, and c) raising awareness. All of them were subsequently refined by the main characteristics that were evaluated as significant from the variable weight. Results revealed that there is a significant difference both in the total impact score and in the scores of Tax law change especially in terms of Decision-making (M=101.03; SD=1.82; p=0.045<0.05) and between Business Attitudes and Stress Management (M=100.45; SD=1.35; p=0.016 <0.05). Pearson correlations show a positive relationship between Knowledge and Assertiveness (r_w=.825), a positive relationship between Knowledge and Decision-Making (r_w= .854), and a strong and positive relationship between Knowledge and Raising Collaboration (r_w= 1.54). Linear regression indices between the tax changes and business attitudes clusters show an R=. 800, which reveals a good variability and R_{square}=.687 reveals that there is enough influence between the clusters.

Albanian business cycle is a more "familiar" environment, as most companies are single-person or family-owned. This means that the majority of taxes they pay are local taxes. Taxpayers who live in a municipality must pay local taxes, also known as municipal taxes, to the municipality to use services including property tax, infrastructure, and city cleaning. The majority of business taxpayers in Albania don't think their payments to the municipalities are commensurate with the quality of services they receive, believing instead that these taxes only drive up their expenses. These results are in line with the research of Payne et al., (2020), Amara & Khlif (2018), Abdixhiku et al. (2017), Simser (2008), and Gërxhani (2004) who have widely addressed tax evasions and typologies of avoidance in transition economies.

Taxpayers look for various ways to avoid paying these taxes because they don't think communities will provide the quality of services they expect. They don't disclose the actual amount of turnover, the appropriate location of their business on the property, etc. In this scenario, taxpayers' trust in tax systems declines and informality rises (Abdixhiku et al., 2017).

Albanian taxpayers are generally concerned about the new fiscal law because it will require real-time reporting of sales and invoice payments, as well as an inventory of goods for resale, and it will give the Tax Administration more control over businesses. Apart from that, nevertheless, because this law's implementation calls for a specific and expensive infrastructure, it will put obstacles in the way of and incur significant financial expenditures for subjects, particularly small businesses and those in outlying areas. Businesses and their staff should be given additional information about this method and a supporting infrastructure for all of these procedures. Based on the aforementioned, we can conclude that the regular changes to tax laws raise people's knowledge and encourage some businesses to learn about new developments, such as taxation and fiscal policy education.

CONCLUSIONS

This paper aims to explore the relationship between the changing nature of tax laws and business attitudes and raising awareness toward updating information and the refreshment of knowledge. What was revealed as the most obstructing in the tax law is that the tax law is not always based on the principle of equity. There is an unfair distribution of the tax burden among taxpayers, tax laws have many unclear provisions, and taxation controls are not efficient. The purpose of the fiscal adjustments during different periods was not met, and more significantly, they are not working as partners and collaborators with businesses as they need to be. The state budget and the economy as a whole would probably benefit more from a sustained tax burden decrease. Policies need to be reviewed, especially the way that the tax burden is divided between income from work and income from self-employment. To ensure that taxes are collected equitably and are used appropriately, the government should take strong actions to advance fiscal culture and the financial education of existing business companies, start-ups, and potential investors with the fiscal and taxation legislation periodically even in the school curricula.

As a premise for further betterment of the tax system, we would suggest some of the following measures:
- to improve the rates of various taxpayer categories to uphold the equity principle; for instance, to level the tax rates for independent natural persons and employees;
- make tax legislation and implementation provisions clearer and simpler;
- to be able to identify, manage, and penalize high-risk individuals in line with tax legislation;
- to discern between law-abiding and infrequent taxpayers and to motivate them to work by serving as role models for other taxpayers.

LIMITATIONS AND FURTHER RESEARCH

Even though a significant effort has been made to estimate the impact of Albania's fiscal reforms, certain limitations of this study should be considered for future and potential research.

First, as a representative objective, the study examined the perspectives and attitudes of ten small and medium-sized enterprises in Albania. Neither the typology of large or international business nor the remaining enterprises in this typology that might offer an alternative interpretation of the study's findings are included here. *Second*, the impact and relation between respondents' genders on fiscal changes were not investigated in this study. This article addresses the economic assessment of business organizations as macro-entity groups, but not that of the staff members or workers within these businesses as micro-entity groups. *Third*, several restrictive criteria used in this study have excluded from consideration a portion of the business community that may have been active for a shorter time. Excluded from the present analysis were also foreign businesses with different levels of knowledge of the economic and financial landscape of Albania. *Fourth*, a thorough explanation of how tax changes affect consumer business uncertainty, the risk associated with both domestic and international direct investment, and the possibility of tax evasion were not included in the study's exploration. *Fifth*, the study omits a thorough explanation of the legislative and fiscal adjustments necessary to bring Albania's system closer to that of the European Union, as specified in the EU Acquis Communitae for Albania since. *Six,* the research did not look at auditing or ongoing monitoring of the effects of these modifications on the quality of social life in general or the business community.

The drafting of guidelines on fiscal variability and the characteristics regarding how fiscal adjustments affect the upsurge in direct investments for foreign companies, with an emphasis on investing in the Albanian market, will serve as a practical implication for the empowerment of the academic system in financial research as part of the initiatives for further research.

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