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## Reflection of Greek reality concerning taxation from the point of view of both tax payers and tax officials

Makri Evagelia, Tsourela Maria, Paschaloudis Dimitris  
*Technological Educational Institute of Central Macedonia, Greece*

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### Abstract

*One of the biggest social and financial problems faced by Greek society is the illegal tax evasion. This research intends to capture Greek reality concerning fiscal measures both tax payers and tax officials wise. An effort will be made to a) define tax payers point of view concerning the existence of tax evasion, b) to highlight the main reasons, according to the opinion of both tax payers and tax officials, that lead to tax evasion, c) to define the opinion of tax officials relatively to the necessity of taking extra measures and d) to propose alternative ways based on the tax officials experience. The research showed that a) according to the opinion of tax officials, the main reason that leads to tax evasion is the political system of the country; b) most citizens believe in the necessity of seizure accounts; c) the majority of the sample believes that tax payers do not pay due to financial weakness.*

Keywords: tax evasion, compulsory recovery measures, precautionary measures, management recovery measures

### 1. Introduction

Tax evasion refers to the efforts and actions of citizens that are being taxed, to disguise the income under taxation. Alternative forms of tax evasion are tax theft, tax avoidance and the passing down or shifting tax. According to literature, tax evasion is described as the intended illegal practice to hide income and other taxation elements, along with tax avoidance (Vasardani, 2011).

Tax evasion includes a) the part of the income that should have been voluntarily declared by tax payers to tax authorities, but is not; b) some indirect and direct taxes, where after collected should be remitted to state treasury, but they do not; c) the interest rates that correspond to the specific department of taxes that are being paid with delay and in most cases under arrangements; d) the tax percentage that was not collected due to tax exemptions and motives, without achieving the intended result for which the exemption was granted.

The most usual reasons for tax evasion are

1. The extensive grey economy, that leads to tax evasion in order to conceal underground activities.

2. The already existence tax evasion leads to more extensive and additional tax evasion.

3. The perception for the role of government and ignorance, contribute to unwillingness of submitting the tax declaration to the IRS, even when there is no taxation.

## **2. Greek taxation system**

The general opinion that is fed by the current situation in Greek reality is that tax laws and unfair and do not overall apply. The main deficiency of the tax system is that reproduces tax evasion. The constant reformations intensify the situation instead of smoothing it. The failure of tax collection and control mechanisms is adjusted through the report of the Control Conference for the financial year 2009. At the end of the year 33.55 billion euro were pending as established entitlements. At the end of 2013, the amount of overdue taxes was 63 billion euro. The situation is constantly intensifying as overdue taxes keep doubling up (Schneider, 2013).

Concerning legislation, from 2010 to 2015, more than 20 laws in total have been passed that diversify tax system and more than 800 circular versions have been issued by the Ministry of Finance. Despite the extensive reformations, overdue taxes have been doubled and tax evasion stands still in high rates (in comparison to other European countries). In general, the financial system can be characterized as inefficient.

With the present system, the capability of tax payers to respond to the redemption of their debts is gradually undermined, leading to more overdue debts. This generation of ever-greater debts is the fact that signs the inefficiency of the tax system as a whole and the ineffectiveness of the new measures and reformations. Additionally, financial stability is maintained by indirect taxation, based on the fact that in Greece, VAT is the third highest between members of OECD countries (I.M.F., 2013). The high indirect taxation in combination with insurance contributions do not create the appropriate conditions for growth.

According to the reports for the members the Organization for Economic Co-operation and Development (I.M.F., 2013) for the dynamics of financial development and the efficiency of functionality of the economy and tax systems, usually countries with a satisfactory growth rate and perspectives for economy growth, receive the tributes in all areas. On the contrary, in places where economy faces fiscal or/and financial problems, the tax system is considered inappropriate.

## **3. Research methodology**

### *Scope of the research*

The goal of the present research is to capture Greek reality concerning tax measures from the perspectives of both tax payers and tax officials. In order to achieve the main goal, the following sub-objectives are set:

- Define numerically the opinion of citizens cornering the existence of tax evasion
- Reveal the main reasons that according to the opinion of both tax payers and tax official, drive citizens to tax evasion.
- Specify the opinion of tax officials in relation to the necessity of taking measures.
- Proposal of alternative suggestions by tax officials

In order to achieve the goal of the research and answer the research questions, a questionnaire was administrated to citizens and interviews took place to tax officials. The questionnaire was used as the tool for quantitative data and interview as the tool for qualitative data. Every interview was personal and was recorded after the taken the permission of every interviewee. The procedure took place in the workplace, while they were on break. The duration of every interview was between 20 to 30 minutes. After the collection of the recordings, the transcripts were created.

### *Sample of the research*

The sample of the research is dual in nature and consists of citizens of the Municipality of Serres, Greece and tax official of IRS of Serres, Greece. They were both randomly selected, though tax officials came from different departments, in order to reassure the representativeness of the sample. There were 93 people in total, from which 10 were the tax official that were interviewed.

## **4. Results**

45% of the sample was woman while 55% was man. 7% belongs to the age group of 20-30, 26% to the age group of 31-40, 28% to the age group of 41-50, 28% to the age group of 51-60 and 11% to the age group over 61 years old. 21% declared single, 9% married without children, 54% married with children, 5% divorced and 11% widowed. 3% graduated elementary school, 37% is graduates of secondary education, 58% hold a bachelor degree and 2% decaled "other". 4% is university students, 46% is public servants, 17% is private employees, 11% is business people, 10% is unemployed, 11% is pensioners and 1% declared "other".

### *Quantitative analysis to tax payers*

According to information sources for the changes in taxation 28% stated that are informed through the television, 4% from newspapers, 53% from the internet, 5% from media broadcasts and reports, 0% from leaflets, 2% from the government's newspaper, 4% from a tax consultants and 4% that they do not get informed at all.

Concerning tax liabilities to government 40% stated that they personally process them, 54% hire a tax consultant, 5% to member of the family of a friend and 1% stated "other". 76% said that wished to be briefed for his/hers tax liabilities through email, 9% through telephone and 15% through mail. 70% said that there must be an account exempted from seizure; while 30% does not think necessary the existence of such an account. 62% considers some measures necessary, such as mortgage, seizure of real property, moveable property and financial assets for responding to overdue debts, while 38% does not consider the above actions necessary. 60% thinks confiscation and divestment of real property and moveable property necessary for the paying debts, while 40% does not think that this action is necessary.

Concerning unpaid debts, 70% believes that tax payers do not pay due to financial inability, 15% due to negligence/ignorance and 15% stated "other". 3% believes that in Greece there is no tax evasion, 3% that there is little tax evasion, 20% that there is a lot tax evasion and 66% that the levels of tax evasion are very high.

### *Qualitative analysis*

During the interviews, when tax officials were asked about the reasons that drive to tax evasion, most of the matched tax evasion with politics. Specifically the stated that:

Tax official 1 “[..] while in less developed countries it is considered as one of the biggest crimes, in Greece it is another way to serve big interests and to develop consumer-electioneering relationships.”

Tax official 2 “[..] we have a powerless taxation system – weakened- that does not share the will of the government.”

Tax official 3 “[..] we live in a country where someone that have the chance to steal, he/she stole. Politics served, rewarded and was convenient for everyone, offenders or not, who became wealthier over all the others and were destroying our children’s future.”

Tax official 6 “[..] it is due the too many laws of tax system, to the legal gaps and the unwillingness of politics to stop tax evasions.”

A smaller group of interviewees focused their answers on the size and application of penalties for tax evasion.

Tax official 8 “[..] penalties are either not big enough or not applied

Tax official 10 “[..] because Greeks may not have developed a tax consciousness but at the same time penalties are either not big enough or not applied to the extent that they should.”

### *Opinions of tax official for the measures*

Tax officials believe that taking measures is necessary, while they point out the need for a more flexible and friendly attitude towards citizens. Specifically they state that:

Tax official 3 “the government should take measures to reassure its interests and overdue debts, because all debts would be otherwise deleted and they wouldn’t get anything.”

Tax official 4 “A more friendly politic should be created towards them. There must be the opportunity to pay in relation to their total income.”

Tax official 1 “Insurance policy are a necessity for the government, in order to reassure its income.”

Tax officials seem to agree with the reinforcement of compulsory measures, but they highlight the need for clear distinction between different tax payers. Additionally, they point out the need for safeguarding the primary housing need of tax payers with debts. Tax official 1 refers “the compulsory measures must take under consideration the real financial state of the citizen and mostly his/her taxpaying ability, at the time that his/her debts are been demanded. It is not proper for example to seize his/her house of residence, as well as his/her bank account that has limited amount of money needed in order to survive. It is improper to leave unattached huge bank account and manor houses and at the same time to provoke people with ignorance towards debts to the government. Compulsory measures must be forced to those that have the ability to pay and give the rest the opportunity that acquire the ability and pay in the future.”

Tax official 7 says that “Primary housing must be protected since there are no other assets. Financial and professional situation must be taken under consideration. If he/she can pay, then seizing his/her house is an actual force to pay the debts.”

## 5. Conclusions

According to the analysis, the present research revealed that for tax officials tax evasion is related to the political system. In the literature is found that overtaxation leads to more tax evasion. Generally, the more the complex and unclear a taxation system is the more impersonal the tax authorities are, the more the extend of tax evasion.

Concerning the quantitative study, most tax payers consider the existence of an exempt from seizure account a necessity. Almost 1/3 of the sample thinks confiscations and divestments a necessity for overdue debts. Also, the majority of the sample believes that tax payers do not pay due to financial inability. Lastly, 88.9% stated that there is either high or very high tax evasion in Greece.

Qualitative study showed that tax officials believe in taking extra measures, but they state the need for clear distinction between different tax payers and the need to reassure primary housing. They want a more friendly and flexible attitude towards taxpayers and they consider insurance measures a necessity.

From their responses, concerning alternative ways of collecting debts from tax payers, they begin from the ground-root of the problem and try to propose solutions in continuance to those that they already did not worked in the past. The systematic approach that they propose includes integral design and organization and has as a result the creation of a more rational financial tax – control – collection mechanism.

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