Compliance and Communication with Kosovar Taxpayers’

Adriana Nixha
e-mail Adriana.Nixha@atk-ks.org
The purpose of this capstone project was to determine the taxpayers satisfaction level with tax authority staff in Kosovo. Its impact in tax compliance with regards to the existing tax policy; quality of tax inspectors services; information & services provided; tax procedures and administration mechanism; and the overall tax administration.
In order to have a clear understanding about what taxpayers think about behavior of tax inspectors there was a survey conducted with 52 taxpayers with different background and 65 tax authority staff (most of them audit tax inspectors with high performance)
Tax Inspectors Communication Skills

Tax inspectors communication skills

<table>
<thead>
<tr>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enthusiastic</td>
</tr>
<tr>
<td>Tax inspectors communication skills</td>
</tr>
</tbody>
</table>
Tax Administration Functions

- The vision of Tax administration
- The value of Tax administration
- The mission of Tax administration
Tax Revenues from 2000-2011

TAK Revenues from 2000–2011
Questionnaires with Taxpayers
Employment Status of Taxpayers

Employment status

- 58% Other
- 17% Taxpayers Consultant
- 8% Accountant
- 8% Sales staff
- 9% Profession Self Employee
- 8% Teacher
- 8% Nurse
- 8% Lawyer

Other
Education level of Taxpayers’ and Permanent Residence

Education level

- High school: 63%
- BA/BSc: 31%
- Phd/MBA/MSc: 6%

Municipality

- Prizren: 42%
- Suhareka: 19%
- Rahovec: 9%
- Mališeva: 28%
- Dragash: 2%
Professional Level of Tax Inspectors

Profesional level of tax inspectors

<table>
<thead>
<tr>
<th>Number of respondents</th>
<th>Knowledgeable</th>
<th>Very Experiential</th>
<th>Serious Minded</th>
<th>Not Experiential</th>
<th>Not Serious</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profesional level of tax inspectors</td>
<td>18</td>
<td>16</td>
<td>11</td>
<td>4</td>
<td>3</td>
</tr>
</tbody>
</table>
Personal Level of Tax Inspectors

Tax inspectors' behaviour based on his personality

<table>
<thead>
<tr>
<th>Behaviour</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Friendly</td>
<td>12</td>
</tr>
<tr>
<td>Responsive</td>
<td>15</td>
</tr>
<tr>
<td>Courteous</td>
<td>25</td>
</tr>
<tr>
<td>Rude</td>
<td></td>
</tr>
<tr>
<td>Not respectful</td>
<td></td>
</tr>
</tbody>
</table>

Tax inspectors' behaviour (based on his personality)
Perception of Tax by Taxpayers’

Number of respondents

- Paying taxes to the government is one’s responsibility
- Only wealthier people should pay taxes
- Consumer segmentation – different tax rates
- Tax laws & procedures clear and acceptable
- Failure to pay taxes is unfair
- The government is unfairly levying taxes
- Incentive for paying taxes regularly is...
- More people will pay taxes in Kosovo if...

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Types of Communication

- Verbal communication
  - Telephone
  - Face to face
  - e-mail

- Non verbal communication
There’s no contact with paper – written responses
Questionnaires with Tax Authority Staff

Education level of respondents:
- Phd/MBA/MSc: 19%
- BA/BSc: 12%
- High school: 69%

Departments where tax authority staff work:
- Taxpayer Service and education: 54%
- Audit Department: 18%
- Tax Collection Department: 6%
- Information Technology Department: 2%
- Other: 20%
Most Important Tax Office Functions

Number of respondents

- Maximze voluntary compliance
- Grey economy
- Improve communication in TAK
- Enhance Tax Office...
- Avoiding tax evasion through...
- Training of managers
- Replace existing IT with new...

Most important tax office functions
Best Services Provided by Tax Inspectors

Best services provided by tax inspectors
The Weakest Services Provided by Tax Inspectors

The weakest services provided by tax inspectors

- Top-down communication
- Bottom-up communication
- Behavior with taxpayers
- Knowledge of tax laws
- Provide written responses
- Document archiving
- Correction of declarations
- Visiting taxpayers who have applied for Fiscal...
- Visiting taxpayers who have applied for VAT...
- Printing the fiscal Number certificates
- Printing the VAT certificates
- Provide accurate answer or no answer
- Downloading and printing declaration
- Other (please specify)

Number of respondents
The Reasons for Non-Compliance

Reasons for non-compliance:

- Tax system too complicated
- High corruption
- Intentional avoidance of payment
- Lack of confidence in Tax... (liabilities)
- Bad habit of not paying taxes
- Tax rate too high
- Taxpayers awareness for...
- Progressive taxation of the high...
- Other (please specify)
Major findings from this project were:

- The majority of taxpayers stated that the treatment of non-compliance is inadequate;
- Tax revenues have not been utilized properly by Government;
- Tax rates are extremely high and the tax system too complicated;
- Taxpayers interviewees regarded tax inspectors behavior;
- An overwhelming majority of interview partners noted the importance of working on Saturday morning.
Major recommendations

- Ensure implementation of Compliance strategy 2012-2015 with particular treatment for no filers and stop filers
- Avoid tax evasion
- Increase the punishment of those who are discovered for non-compliance
- Tax gap – directly impacts to revenue growth
Major recommendations

- **Taxpayers’ on-line account**
  On-line declaration, modern ways to declare taxes quickly and simply

- **Electronic archive**
  Include taxpayers’ undertaken activities, protect taxpayers’ data base
Major recommendations

Transparency of Tax System
Simple, transparent as much as possible and should minimize uncertainty among taxpayers

Source of project: Taxpayer's confidence in efficient use of government revenues
Further recommendations

- Providing continuous trainings for tax authority staff

![Bar chart showing trainings that tax inspectors need]
Further recommendations

- More information technology equipment

In order to offer the best possible and fast services tax office should be equipped with the best equipment – new computer, more office space, better air conditioning
Further recommendations

➢ Tax inspectors segmentations
To increase the number of tax inspectors
Segmentations by types of taxes

Does the tax office have the lack of tax inspectors

- Yes: 71%
- No: 29%
Further recommendations

- Extended office hours

- 71% of respondents prefer 4-5 pm
- 27% prefer 5-6 pm
- 2% prefer 6-7 pm
- Saturday morning and Other categories are not prominently shown.
Recommendations

- Ensure implementation of compliance strategy 2012-2015;
- Taxpayers’ on-line account;
- Transparency of tax system;
- Electronic archive;
- Providing continuous training for tax authority staff;
- More IT equipment;
- Tax inspectors segmentation;
- Extended office hours;