PressAcademia
www.pressacademia.org/journals/jefa
JEFA
ISSN 2148-6697
Journal of Economics, Finance and Accounting YEAR 2019 VOLUME 6 ISSUE 2

ROLE OF TAX REGULATIONS IN THE REPUBLIC OF KOSOVO, COUNTRIES OF THE BALKANS AND THE EUROPEAN UNION, IN DETERMINING TAX POLICY

DOI: 10.17261/Pressacademia.2019.1045
JEFA- V.6-ISS.2-2019(1)-p.63-71

Refik Kryeziu[1]
[1]University of Gjilan, Faculty of Edonomics, Gjilan, Kosovo.
refik.kryeziu@uni-gjilan.net , ORCID: 0000-0001-8628-6166

Date Received: March 30, 2019 **Date Accepted:** June 15, 2019

To cite this document
Kryeziu, R. (2019). Role of taxregulations in the republic of Kosova, countries of Balkans and the European Union, in determining tax policy. Journal of Economics, Finance and Accounting (JEFA), V.6(2), p.63-71,
Permemant link to this document:http://doi.org/10.17261/Pressacademia.2019.1045

ABSTRACT

Purpose- In this paper the main purpose is the role of tax regulations in the Republic of Kosovo, countries of the Balkans and the European Union, in determinin tax policy.
Methodology- The paper is handeled in two important spaces of tax rated in Republic of Kosovo, while in the second focus are the comparations of som regional coutries of the Europen Unino, there will be secondary data which are from different authors and these are presented in theirs studies. Empirical methods are used in the data of tax policy, than will be used in the comporative methods.
Findings- With the recent reforms, value added tax has been set at two tax rates, 8% and 18%. Balkan states have constantly reformed tax rates, reducing them and redefining the tax base. There are differences in tax rates, corporate income tax and value added tax. In EU member states tax rates are heterogeneous, which is the result of national traditions and a symbol of their sovereignty. In addition to having different rates of Personal Income Tax (PIT), we also have differences in the tax rate of Tax on Income Tax (TIT) and Value Added Tax (VAT). Hungary has the Lowest Rate of Tax (LRT) of 9%, while Malta has the highest of 35%. The Lowest standard VAT rate is in Luxembourg of 17%, tripled (3%, 8% and 14%), the highest in Sweden by 27% (12% and 6%).
Conclusion- In tha end of this paper we will conclude that the tax policy norms in the Republic of Kosovo, the Balkan countries and the member states of the Europian Union, is to adapt the position of national economies and to continuously improve and design of the tax systems.

Keywords: Taxes, tax rates, tax policies, reforms, comparison of tax policices.
JEL Codes: E62, E63, F65

1. INTRODUCTION

In order to reflect the effects of taxes on the development of economic and trade processes, tax changes are required. The changes made to tax rates form the structure that ensures their higher effectiveness than they were before. Given the specifics, the economic structure and the level of economic development, the governments of the countries set the tax rates in that way in order to adapt to the financial, economic and social trends. The focus of addressing this issue in this paper will be about the tax policy process that applies in Kosovo, the Balkan states and the European Union member states, with the aim of identifying differences in tax rates between countries that have been taken for study. In the Republic of Kosovo will be considered about the dynamics of formation and reform of tax rates. The designing of an appropriate and functional tax reform has not been an easy objective to be reached in any of the Balkan countries. Difficulties have especially arisen in making the reforms acceptable and then successfully implementable. The taxation reforms management has been during the whole taxation reform process, from the inspection of the state until now, a long and complicated process and it still continues to be. This is due to the fact that all post-communist countries possessed tax systems drafted for the planned economy and incompatiblewith the market economy and with a tax administration which needed a complete reorganization for the purpose of a successful operation in new conditions (Grabowski, 2004). The impact of transition on the public finance system was radical. The process raised the fundamental need to create (together with economic reforms) necessary and well-working fiscal institutions (Tanzi and Tsibouris 2000). Progresses in tax reform have varied across individual countries in transition. The main EU accession countries (Hungary, Czech republic, Poland, Slovenia) rapidly moved early in transition to introduce comprehensive tax reform, being a common objective their accession to the EU. This is the main reason why in these countries tax reforms generally moved faster than in other transition countries (Martinez-Vazquez and McNab 4 2000). The good economic performance of these countries after the reform was due to the flat tax itself. This could be attributed to wider macroeconomic recovery, better tax compliance and tax administration as a consequence of EU membership requirements(Rădulescu, M. 2011). In recent years, fourteen countries in Central and Eastern Europe have adopted flat tax reforms. During that same time, the countries' economies grew as they transitioned from centrally-planned to market-based economies(Easterbrook K. F. 2008). Non-discrimination is a cardinal value of the European Union. Consistently, a code of conduct was adopted in January 2003 to eliminate "detrimental practices" in the area of corporate taxation, such as a different tax treatment for domestic and foreign-owned enterprises. Already launched in 2001, the project of Common Consolidated Corporate Income Tax (CCCTB) goes much further, since it involves both base harmonization and consolidation. Base harmonization would make tax competition more transparent in that only tax rates would matter. It would not necessarily lead to a uniformization of corporate income tax (CIT) rates since taxes are not the only relevant factor for the location of companies. For example, it has been argued that countries with a more central location enjoy location rents that can be taxed, and that the provision of public goods is a relevant factor for company location, sometimes reinforcing the impact of a central location (See Andersson, F. and R. Forslid 2003; Bénassy-Quéré A., N. Gobalraja and A. Trannoy2007; Quéréa , A. B. Trannoyb A. and Wolffc G. 2014).

'Tax reform'- the procedure for tax collection and ways to improve the tax administration by the government having multiple purposes which have been studied in delve to minimize the problems of tax avoidance and tax evasion through good governance (Morrell & Tuck, 2014; Deb, R. 2017). The next crucial reforms took place in 2000 and in 2006 and they have been driven by the commitment gradually to harmonize with the EU law and by the desire to improve further the economic environment. The determination of the government for euro-atlantics integrations and efficient and competitive tax environment encouraged successful tax reforms in Republic of Macedonia as a gradual process of adaptation, although a lot has to be done in future(Pendovska, V. Neshovska, E. 2014). Introduction of different tax incentives and reduced VAT rates, rejection of flat tax as well as decrease in number of tax brackets, increase in alcohol and tobacco duties, introduction of financial activities tax, further shift from income to consumption. A decrease of tax share in GDP and belief in behavioral responsiveness of tax decreases/exemptions, but equity principle also. The last three economic views/values are important predictors of other tax attitudes(Šimovič, H. Blažič, H. Štambuk, A.2014). In this paper we will find that in the Balkan states there are marked differences of tax rates policies. We will also analyze the tax rates in the member states of the European Union that we see that these countries, even though they are part of this economic integration, still have differences in taxpolicypolices.

2. LITERATURE REVIEW

The experience of transition economies has shown the interrelation between tax polices and tax administration (Stepanyan 2003), playing the reform of tax administration a crucial role in successful tax policy implementation. Even in this field the leading transition countries (like most New Members) have shown a capacity in collecting revenue from the main taxes (corporate tax, VAT and social contributions) higher than that of the slow transition reformer countries and close to the EU benchmarks (Schaffer and Turley 2001). If a tax is levied on the price of a good or services, then it is called an indirect tax hence an indirect tax is a tax levied on expenditures including Value Added Tax (VAT), custom and excise duties, local property taxes (Bailey, 2002). One of the empirical studies that include the membership in regional integration initiatives within OECD countries1 as a variable has been conducted by Hansson and Olofsdotter (2005). They come to the conclusion that the integration negatively influences the levels of corporate tax rate in the member states, i.e. results in decreasing levels of corporate tax rates. Similar results with regard to the integration within the European Union are achieved by the previously cited analysis of Genschel et al.(2011). Genschel et al. (2011) reach a corresponding conclusion with regard to the relation between corporate tax rates and the integration within the single market of the European Union. Klofat A. (2017).In context, however, less attention has been paid to the relation between regional economic integration and the development of the tax rates. This paper covers this issue concentrating on two integration initiatives in Europe and Eurasia: the European Union and the Eurasian Customs Union/Eurasian Economic Union. I find evidence that the declining corporate tax rates are to various degrees driven by the progressing regional integration within both the EU and the EEU. This paper also shows that the regional integration within the Eurapian Economic Union is, despite significant skepticism expressed from various sides, working in practice. Substantial comparative report into the issue, is to examine budgetary and taxation policies in individual European countries, with a special focus on the western Balkans in the context of its road to EU membership, from the viewpoint of equity, efficiency and sustainability. Gandullia, L. (2004) the last decade of tax reforms in countries in transition has provided a remarkable laboratory in tax policy design and practice. Compared to the other transition countries, New Members can be considered as successful examples of tax reform implementation. At present they show that tax systems reasonably close to the European countries. But in some key aspects there are wide differences which mainly refer to the tax mix between direct and indirect taxes, to the degree of progressivity of personal income taxation and finally to the taxation of corporate capital and labor. The paper, after a brief presentation of tax systems at the time of transition to the market economy, presents evidence of their structure and evolution; then it illustrates common features of current tax systems, reporting measures to evaluate their main equity and efficiency profiles. Keen et al. (2006) of the IMF provide an overview of the studies on flat taxes. They too conclude that empirical evidence is limited. Like many flat tax studies, the paper discusses how flat taxes affect work incentives in theory. Keen et al. (2006) suggest that the empirical literature on how tax reforms affect labor supply “could be drawn on to simulate the likely labor supply effect of adopting a flat tax” (Keen et al. 2006). This simulation is precisely what I do in my study. Keen et al. (2006) also stress that the flat taxes that have been implemented differ greatly. This fact is apparent as one reviews papers that compare the flat tax reforms. One useful paper that compares the different reforms is Jenn (2006), which provides details on the tax codes over time and discusses the economic arguments of the flat tax Easterbrook K. F. 2008). Surely, the flatting of tax rates of income taxes, the lowest tax rate in Europe of 10%, made it accurate. Macedonia, also, endorsed the rule: “High taxes, low growth and vice versa, low taxes, higher economic growth”. With the introduction of the flat tax model Macedonia became a leader in Europe amongst countries with lowest taxes, along with Kyrgyzstan and Kazakhstan (Pendovska and Dzafce, 2009). The personal income tax rates were increased by nine member states and lowered by two. Additionally, a number of members adjusted the tax bases and introduced special tax arrangements. It is interesting to note that half of all the EU member states introduced reforms concerning the taxation of property. Seven countries increased the tax rates, an additional four increased the tax base, while three countries lowered the tax rates (Garnier et al., 2013). The issue of tax cuts or tax increases is very politically charged, and connected with the role of government and different views about inequality. Empirical studies about effects of tax or fiscal policy on fiscal recovery are few such as Kneller et al. (1999), Crossley (2009) or Tcherneva (2011). We also explore how orientation of the tax system influence fiscal recovery of the EU member states and elaborate differences between tax measures taken during the recession period. A related literature looks at advantages and disadvantages of consumption based proposals and income-based models as well as different variants of the basic models and their combinations. For example studies by Hall and Rabushka (1985), McLure (1991), Wieswesser (1999), Rose (1999), Keen and King (2002), Auerbach (2006), Blažić (2008) and Cnossen (2012). Andreoni, Erard and Feinstein (1999) consider tax compliance an issue of public finance, tax law enforcement, the tax authority’s organizational design, ethics and tax morale or a complex combination of all of them. The authors perform an extensive review of the theoretical and empirical literature regarding tax compliance.

Authors have concluded that in Serbia taxes are lower than the Organisation of Economic Co-operation and Development (OECD) counties which need to be reformed (Levitas, Vasiljevic & Bucic, 2010). The public debts should be controlled to increase the taxes (Anicic, Laketa, Radovic, Radovic & Laketa, 2012; FREN, 2010) and reforms in VAT are required to increase the tax collections (Altiparmakov, 2010). Literature suggested that studies have been undertaken to detect the flips in tax system (Kaplanoglou & Rapanos, 2013; Kaplanoglou & Rapanos, 2011; Mylonas, Magginas & Pateli, 2010), the VAT gap of Greece among the EU countries (Reckon, 2009) even the shortfall in personal income tax collection (GSIS, 2011). Literature has indicated how sharp cuts on marginal tax rates have significantly reduced the top executives’ bargaining power for increasing their remunerations (Alvaredo, Atkinson, Piketty & Saez, 2013; Piketty & Saez, 2013; Atkinson, A. B. Piketty, Th. and Saez, E. 2011; Piketty, Th. Saez, E., Stantcheva, S.2014) even the impact of relative tax burden on lower income groups, how it has put pressure on slashing the tax rates (Čok, Urban & Verbič, 2013; Majcen, Verbic, Bayar & Cok, 2009) has been studied extensively.

3. DATA AND METHODOLOGY

In the paper we have resarch the role of tax rates in the Republic of Kosovao. The contries of the regrion and the Europian Union in determining the fiscal policy. The paper is handeled in two important spaces of tax rated in Republic of Kosovo, while in the second focus are the comparations of som regional coutries and coutries of the Europen Unino, there will be secondary data which are from different authors which are presented in theirs studies. Empirical methods are used in the data, than will be used comporative methods. The datas are mainly extrated from, books, profesional and scientific papers, laws and gudelines thate have been modifided and they are adapted according to the nature of the paper.

In this paper we will present the data on taxes in the Republic of Kosovo from 2005 with special study for 2018 which deals with Taxes on Personal Income (TPI), Taxea on Corporation Incomes (TCI) and Valued Added Tax (VAT) , which will be subject to fiscal changes for the above-mentioned years. For these three types of taxes, we will have comparisons between the state of Kosovo and the Balkan states such as Albania, Macedonia, Montenegro, Bosnia and Herzegovina and Serbia in 2018**.** The data used pertain to the implemented tax reform reforms that the countries that are taken for study and apply in 2018 onwards, which are obtained from reports published by the Monetary Fund, the World Bank, the Institutes and the Center statistical and study reports and official publications on taxes of the Balkan countries and European Union member states. Data and information have been processed in published reports approved by the relevant instances of Balkan countries and the European Union in which taxes are calculated by processing data in percent (%) for each country separately. From the data presented, tax rates in the Balkan state and European Union member states are set.

4. OBJECTIVES OF THE SYSTEM AND TAX STANDARDS

The operation of tax types in different countries forms a tax system that achieves certain goals. For the purposes of taxation, many economists and financiers are involved, who devote themselves to their study. The tax system represents all taxes levied in a co-existent country with which the fiscal policy goal can be applied(Limani, M. 1994). Taxes are one of the forms through which the state earns revenue. Hence, it follows that the purpose of the tax is to collect the financial means for the state that are necessary for the financing of their functions (Komoni, S.2008). Other objectives can be achieved with taxation policy, making allowances and discounts, benefits for certain products and certain sectors of the economy. The place and role of any of the taxes is not the same and depends on a large number of factors. In this context, the author emphasizes two purposes of taxation and they are fiscal and non-fiscal purposes (Brajshori, B. 2014). With the expansion of the state's role, money needs also increased. Apart from the financing of increased state expenditures, taxes are increasingly being utilized for the realization of other purposes that can be taken as fiscal purposes of taxation(Jelçiq, B. 1985). In order to better understand the tax policy, we are examining the problems of the tax system and tax rates in Kosovo, the Balkan countries and the European Union, by comparing them among them. In Kosovo, compared to other countries, the tax system is new. Along with the construction of the tax system, the economic and legal changes are constantly being made. In economic terms, the tax system consists of new rates. In the legal aspect it is based on the fact that the regulations are transformed into laws, which implies great progress in the development of this system. Major changes in tax rates have been made through the implementation of the new Fiscal Package in 2015 for Value Added Tax, Personal Income Tax, and Corporate Income Tax.

Table 1: Tax Rates in Kosovo, period 2005 to 2018

No	Taxes	May 2005	2009 – 2015	2015 - further
1	Taxes on Personal Incomes **(TPI)**	0 - 960€ : 0% 960 - 3000€ : 5% 3000€-5400€ :10% over 5400€ :20%	0 - 960 € : 0% 960 – 3000 € : 4% 3000€-5400€ : 8% over 5400€ :10%	**0 - 960€ : 0%,** **960 – 3000€ : 4%** **3000€-5400€ : 8%** **over 5400€ :10%**
2	Taxes on Corporation Incomes **(TCI)**	20%	20%	**10%**
			7% Insur. Com	**5% Insur. Com**
3	Valued Added Tax **(VAT)**	15 %	16%	**8% dhe 18%**

Source: Law no. 05 / L-037 on Value Added Tax. Law no. 05 / L-029 On Corporate Income Tax. Law no. 05 / L-028 On Personal Income Taxes processed data based on applicable tax legislation.

Reformed reforms are justified by the fact that the changes were made at a time when countries in the region have taken action to changetaxpolicies. With the new changes all taxpayers who are VAT declarers apply the rate of 8% and 18%, depending on the supply of goods or services (Kryeziu, R.2010). Countries that apply lower tax on corporate profits have the chance to attract more foreign direct investment. Therefore, fiscal reforms in all contemporary countries create ideal conditions for increasing foreign investment (Kryeziu, R. 2009). Profit tax in Kosovo applies if corporations realize profit, a rate of 10% is applied for all economic activities and 5% for insurance and reinsurance companies from gross realized premiums.

5. TAX STANDARD POLICY IN BALKANS STATES AND DIFFERENCES IN OUR HEADS

The great political and economic changes that existed in the 1990s, in Europe and beyond, have come to many goals in many ways, in political, economic and financial terms. Politically, the reforms have influenced the development of democracy, the free-market economy has spreaded, the fiscal system has been reformed and the developed European countries have been reformed. In Balkan countries there are three main types of taxes; personal income tax, corporate income tax and value added tax. Personal Income Tax (PIT) Albania, Bosnia and Herzegovina, Macedonia and Montenegro apply a flat tax. In Albania, the flat tax has been applied since 2007, replacing the progressive tax by up to 30%. At the same time, since 2007, Macedonia has passed on a flat tax. Montenegro also applies the flat tax rate by 9%, from 2009 to 12%. Serbia is a progressive tax. The corporate income tax rate of Albania is 15%, in Macedonia by 10%, Montenegro 9%, Serbia 15%, Kosovo and Bosnia with 10% (Pere E. Hashorva, A. 2011).

Table 2: Tax Rates in Balkan Countries for 2018

No	Countries	Taxes on Revenye Payment (TRP)		Taxes on Coporation Income (TCI)		Valued Addes Taxes (VAT)	
1	Albania	13%	23%	5%	15%	6%	20%
2	Macedonia	10%		10%		5%	18%
3	Montenegro	9%	15%	9%		7%	21%
4	Bosnia	10%		10%		17%	10%
5	Serbia	10%	25%	15%		10%	20%

Source: TAX BURDEN IN ALBANIA, KOSOVO AND BALKANS, 2018. ALTAX CENTER Fiscal Albanian Studies Nr. 2018/04/05

In table no. 2 we see that in the Balkan countries, in 2018 we have differences in tax rates between them. For Corporate Income Taxes Albania has two tax rates, between the highest and the lowest, with 5% and 15%. Northern Macedonia applies the rate of 10%, Montenegro 9%, Bosnia and Herzegovina 10% and Serbia with the highest rate of 15%. In the countries of the region, the value added tax (VAT) rate in Albania is 6% and 20%, in Northern Macedonia 5% and 18%, in Montenegro with 7% and 21%, in Bosnia and Herzegovina 17% and 10% and in Serbia 10% and 20%. The study shows that the lower value added tax rates are in Northern Macedonia 5% and 18%, while the highest in Serbia 10% and 20%.

6. TAX REGULATIONS TO THE MEMBER STATES OF THE EUROPEAN UNION

As in all countries of international dimension, tax reforms are also made in the member states of the European Union. In this regard, tax reforms in EU member states have their own dynamics of development. In this context, the biggest changes in tax policy and tax system began in the late 1980s to reach the peak of change in 1992. But what is a particular feature in this integration we see that fiscal policies depend on member states themselves.EU Member States have heterogeneous tax systems and tax rates. In this sphere they show their national tradition, sovereignty and history, which express their independence even though they are part of this interplay. The tax systems of contemporary states vary greatly or slightly between themselves and that two identical systems cannot be found. For this reason we cannot yet speak of the tax system of the developed Western European countries, of the member states of the European Union, etc., but can be talked about separately from each state, eg. System and tax rates in Germany, Belgium, Albania, Japan etc. However, member states' reforms are constantly being made, supported by the European Commission and adapted to the changes and specifics of the economies of these countries(Bedri P.2009). Another feature is that each EU member state has the right to maintain their tax system and apply new taxes (Asllani, G. & Imeri, V. 2016). The European Union's Sixth Value Added Tax Directive represents a unique regulation for all member countries by which the minimum rate of VAT rate is set at 15% while it is possible to have two degrees with a 5% rate and the 0% rate, which is foreseen in the Annex, the maximum rate is not foreseen (Asllani, G. & Imeri, V. 2016).While, for personal income tax and corporate taxation, the tendency is less clear in these member countries' taxes. In many cases, we have when member states have raised tax rates, expanding the tax base may have been a more effective strategy Buti M.Zourek H. Deroose, S. Pench, L., Kermode, P. (2014). One of the features of the tax system is the difference between the new states, as EU members, compared to the tax system, which are formerly members of this integration. New members show reasonable tax models that are close to those of the EU, in some respects there are significant differences. The mix between direct and indirect taxes is very large with new members, relying more on indirect taxes and less on direct taxes (Gandullia, L. 2004).

Table no. 3 Personal Income Tax Rates, Corporate Income and VAT in the EU Countries

Contres	**Income Tax**	**Corporate tax**	**Standard Rate VAT Reduced rates "EU VAT Rates", All EU vat rates current $ historical.**
Austria	Taxed on income €11.000.Between €11.000 and €18.000 will be taxed at 25%. There scale income, 50% tax rate for income over €90.000.	25%	20% (10% +13%)
Belgium	Income u €11.070 is taxed at 25%. Income bet €11.070 and €38.830 is taxed rate between 30% and 45%, income over €38.830 is taxed 50%.	29% (25% from 2020. For SME's 20% from 2018 €100,000 profit)	21 % (Reduced rates of 6% and 12%)
Bulgaria	has a very straight forward tax system, with a flat tax fee 10%.	10%	20% (Reduced rates 9%)
Croatia	The tax rate starts at 12% and the top rate is 40%.	18%(Red.Rate1% for small business	25% (Reduced rates 13%, 5%, 9%)
Cyprus	For income up to €19.500, then a 20% rate for incomes between €19.501 and €28.000. Tax rate is 35% for incomes over €60.001.	12.5%	19% (Reduced rates 5% + 9%) (Red. rates 9%)
Czech Republic	Applies an annual flat rate of 15%.	19%	21% (Red. rates o15% 10%
Denmark	Municipal tax rates 24.9%. Income tax varies between 8% and 15% on level of income.	22%	25%
Estonia	There is a flat rate of 20% on income.	20%CIT on distrib profit 14% on reg.distribution	20% (Reduced rate 9%)
Finland	The tax rate starts at 6.25% for incomes between €16.900 and €25.300, rate of tax at 31.5% for incomes over €73.100.	20%	24% (Reduced rate of 14% 10% for medicins.

France	There's a tax-free personal allowance for incomes below €9.710, after which you pay 14% up to €26.818 and up to 45% tax for incomes over €152.260.	33.3% (36.6% above €3.5M, 15% below €38k)	20% (Reduced rate of 10%, 5.5%, 2.1% and 0% for specific.
Gjermany	There's a tax-free personal for incomes below €8.820, then the tax rate starts at 14% to a maximum of 45% for incomes over €256.304.	22.825%	19% (Reduced rate of 7% applies e.g. on sale.
Greece	Tax rate starts at 22% for incomes up to €20.000 for a maximum of 45% over €40.000.	28%	24% (Reduced rates 13% and 5%)
Hungary	There's a flat 15% tax rate on all income.	9%	27% (Reduc.rates 18% and 5%
Ireland	has two tax brackets: 20% (up to €33.800) and 40%.	12.5% for trading income 25% for non-trading incom	23%
Italy	Tax scale starting at 23% for incomes up to €15.000 for a max. of 43% for incomes over €75.001.	27.9% (24% plus 3.9% municipal)	22% (Reduced rates 10%,5%, 4%)
Latvia	There is a flat tax rate of 23%.	20%CIT on distr.profit 0 on undistribut profits	21%(reduced rates 12% and 0%)
Lithuania	There's a flat tax rate of 15%.	15% (5% for small busines with to 10 employees up to €300,000 income)	21% (Reduced rates 5%, 9%)
Luxe-mburg	For incomes below €11.265, then the tax rate starts at 8% with a gradual scale going up to 42% for incomes above €200.004.	29.22% (comm. activity); 5.718% on intellectual property income.	17% (Reduced rates 3%, 8%, 14%)
Malta	35%	35%(6/7 or 5/7tax refun.effect rate of 5% or 10%	18% (Reduce rates 5%,7%)
Netherlands	Tax rate starts at 8.9% for incomes up to €19.982 to a max, of 52% for incomes over €67.072.	25% above €200,000 of profit and otherwise20%	21% (Reduced rate of 9% and 0%.
Poland	32%	19%(Red. rate 9% for small busines.	23%(red rate of 15% for groceries, 10%)
Portugal	There is an incremental tax startin at 14.5% for incom below €7.091 to 48% for inc over €80.640	21%	23% Reduc. rates13% and 6%
Romania	41.5% [10% income tax (out of gross minus pension & health deductions	Revenue<€1m:1% of all salesRevenu>€1m:16% onproft	19% (Reduced rates of 9% and 5%)
Slovakia	There are two tax brackets at 19% for up to €35.022 and 25% for incomes above it.	22%	20% (Reduced rates 10%)
Slovenia	Tax rate starts at 16% for incomes up to €8.021 going up to 50% for incomes over €70.907.	19%	22% (Reduced rate 9.5%)
Spain	Tax rate starts at 19% for incomes up to €12.450 going up to 45% for incomes over €60.000.	25%	21% (Reduced rates 10% and 4%)
Sweden	There are two tax rates at 20% and 25% depending on income.	22%	25% Reduc.rates 12% &6%
United Kincdom	47% (45% income tax + 2% NI) - , NI could reach 12%, but in practice it's never combined with income tax rate 62% for between £100,000 - £123,000	18%	20% (Reduced rate of 5% for home energy and renovations, 0%

Source: All current EU standard rates updated Nov 2014, EU VAT rates as at November 2014, http://www.vatlive.com/vat-rates/european-vat-rates/eu-vat-rates/, consulted 5 January 2015 "EU VAT Rates", All EU vat rates current and historical.VAT rates applied in the Member States of the European Union. Situation at 1st July 2018. Taxud.c.1 (2018) - EN.

On table no. 3, we see that in all member countries of the European Union we have significant differences in tax rates. As far as tax rates are concerned, Hungary's lowest rate is 9% and Bulgaria 10% and the highest is Italy 27.9%, France 33.3% and Malta 35%. Small changes in the value added tax have been made by France, Greece, Ireland, Italy, Slovenia and Spain. The standard VAT standard has the lowest Luxembourg by 17%, Malta 17% and Germany by 19% up to the highest Slovenia with 22% Portugal 23% Finland and Hungary with 24% and Sweden with 25%.

7. CONCLUSION

One of the objectives of the tax policy norms in the Republic of Kosovo, the Balkan countries and the European member states is to adapt to the position of national economies and to continuously improve and design tax systems. Whereas, as far as trade relations between states are concerned, the primary purpose of this policy is to make efforts to harmonize taxes at EU level, as the pronounced difference in tax rates can break down and `regulate market competition at EU level.

We consider that it is a way and way for state governments to improve their public finances to support their economy's growth, improve the structure of the economy in order to compete to be competitive with the economies of other countries, of budget revenues and expenditures, job creation, strengthening economic stability and raising awareness and honesty to the obligors in order to fulfill state obligations.

8. RECOMENDATIONS

1. In the Republic of Kosovo, even though a new tax system prevails, reforms in this system have gone well with the tradition and the history of their functioning. In this regard, the government to achieve the objectives, in order to increase public spending and economic development, and possible forms should engage even more in reducing the tax evasions.

2. Although so far significant changes have been made in the contries of the Ballkans in the policy, system and tax rates, it is still necessary to continue reforms in order to be competitive with the countries of the region and beyond.

3. A number of European Union member states needing to continue their efforts to consolidate the fiscal system in order to boost the improvement in the quality of taxes compared to those currently in force, so that reforms are in the function of changing the tax rate.

REFERENCES

Alvaredo, F., Atkinson, A.B.,Piketty, T., &Saez , E. (2013). The top 1 percent in international and historical perspective. The Journal of Economic Perspectives, 27(3), 3-22.

Altiparmakov, N. (2010). Poreski sistem u funkciji zapošljavanja i ekonomskog rasta. In Poreska politika u Srbiji: Pogled unapred, 22-38. Beograd: USAID Sega projekat.

Atkinson, A. B. Piketty, Th. and Saez, E.(2011). Top Incomes in the Long Run of History. Journal of Economic Literature 2011, 49:1, 3-71.

Auerbach, A. J., 2006. The Future of Capital Income Taxation. Fiscal Studies, 27, pp- 399- 420.

Andreoni J, Erard B, Feinstein J. Tax compliance. Journal of economic literature. 1998 Jun 1; 36(2):818–60.

Anicic, A., Laketa, M., Radovic, B., Radovic, D., & Laketa, L. (2012). Tax policy of Serbia in the function of developing the economic system. UTMS Journal of Economics, 3(1), 33-43.

Asllani, G. & Imeri, V. (2016). Fiscal Right and Tax System Building, ArmageddonPristina.

Bailey, S. J. (2002). Public Sector Econmics: Theory, Policy and Practice, Second Edition. London: Palgrave Macmillan.

Bedri, P. (2009). Tax reforms in Balkan states-the case of Kosovo.Thesis Kosova, Pristina,7(2) 59.

Buti, M., Zourek, H. Deroose, S. Pench, L., Kermode, P. (2014). Tax Reforms in EU Member States Tax policy challenges for economic growth and fiscal sustainability. European Economy, 4, 17.

http://ec.europa.eu/economy_finance/publications/european_economy/2014/pdf/ee6_en.pdf.

Blažić, H., 2008. Croatian Tax System: From Consumption-Based to Income-Based In: R. McGee, ed. Taxation and Public Finance in Transition and Developing Economies. New York: Springer, pp. 433-459.

Bénassy-Quéré A., N. Gobalraja and A. Trannoy (2007), “Tax and Public Input Competition”, Economic Policy, 22(50), pp. 385-430.

Čok, M., Urban, I., & Verbič, M. (2013). Income redistribution through taxes and social benefits: The Case of Slovenia and Croatia. Panoeconomicus, 60(5), 667-686.

Crossley, T. F., Low, H. and Wakefield, M., 2009. The economics of a temporary VAT cut. Fiscal Studies, 30 (1), pp. 3-16.

Cnossen, S., 2002. Tax policy in the European Union: A review of issues and options. CESifo Working Paper, No. 758

Deb, R. (2018). Tax Reforms & GST: A Systematic Literature Review. Journal of Commerce and Accounting Research. 7, 1 140-53.

Easterbrook K. F. (2008). Flat Taxes and Labor Supply in Central and Eastern Europe.

https://economics.stanford.edu/sites/g/files/sbiybj9386/f/publications/easterbrook_k._2008_honors_thesis.pdf

FREN Fond za razvoj ekonomske nauke. (2010). Postkrizni model ekonomskog rasta i razvoja Srbije 2011-2020. Beograd: FREN. 2020. Beograd: FREN.

Jenn, B.H., “Flat Taxes: Past, Present, and Future,” Tax Notes International, September 18 2006, pp. 995–1014.

Kaçi, M. (2014). Effects of tax competition on profit tax rates in Albania (in search of scientific degree "Doctor").

Kaplanoglou, G., & Rapanos, V. T. (2011). The Greek fiscal crisis and the role of fiscal governance. Hellenic Observatory, Papers on Greece and Southeast Europe, Greece Paper No. 48, June.

Kaplanoglou, G., & Rapanos, V. T. (2013). Tax and trust: The fiscal crisis in Greece. South European Society and Politics, 18(3), 283-304.

Kryeziu, R. (2014). Public Finances, p. 87, Pristina 2014.

Kryeziu, R. (2011). National Economy, Prospects of Economic Development of the Republic of Kosovo, Pristina, 105.

Kryeziu, R. (2009). Foreign Investments in theRepublic of KosovoandTheir Impact in Economic Development, Summary of Works. International Conference, Management ChallengesDuringtheTransition, Tirana, Faculty of Economics, University of Tirana, 323.

Keen, M. and King, J., 2002. The Croatian Profit Tax: An ACE in Practice. Fiscal Studies, 23 (3), pp. 401-418.

Keen, M., A. Klemm, and R. Varsano, “The ‘Flat Tax(es)’: Principles and Evidence,” 2006. International Monetary Fund, IMF Working Paper: 06/218.

Klofat, A.(2017). CorporateTaxRatesandRegional Integration: EvidencefromTransitionCountries. Journal of Economic Integration, 2017, vol. 32, issue 1, 01-34.

Kneller, R., Bleaney, M. F., and Gemmell, N., 1999. Fiscal policy and growth: Evidence from OECD countries. Journal of Public Economics, 74, pp. 171-190.

Levitas, T., Vasiljevic, D., & Aleksandar, B. (2012). Porez na imovinu: Analiza stanja i perspektiva reformi. In Poreska politika u Srbiji: Pogled unapred, 95- 123. Beograd: USAID Sega projekat.

Gandullia, L. (2004). Tax Systems and Reforms in New MemberCountries: An Overview, Department of PublicandEnvironmentalEconomics University of Pavia - Italy. http://www.siepweb.it/siep/old_Doc/wp/352.pdf

Garnier, G. [et al.], 2013. Recent Reforms of Tax Systems in the EU: Good and Bad News. Brussels: European Commission.

Genschel, P., Kemmerling, A., Seils, E. (2011). Accelerating Downhill: How the EU Shapes Corporate Tax Competition in the Single Market. Journal of Common Market Studies 49(3), 585-606.

Grabowski, M., Tomalak, M. (2004). Tax system Reforms in the Countries of the Central Europe and the CIS”, Special Study, pp.251-301

GSIS (2011). Statistiko´D1lti´o Forologikv ´n D1dom1 ´nvn Oikonomikoy´ 2009 [Statistical bulletin of tax data for the financial year 2009], Ministry of Economy and Finance, Athens.

Martinez-Vazquez, J. and McNab, R. (2000) ‘The Tax Reform Experiment in Transitional Countries’, National Tax Journal, Vol. 53 no. 2, 273-298, June

Majcen, B., Verbic, M., Bayar, A., Cok, M. (2009). The income tax reform in Slovenia: Should the Flat Tax Have Prevailed? Eastern European Economics, 47(5), 5-24.

McLure, C. E., Jr., 1991. A Consumption-Based Direct Tax for Countries in Transition from Socialism. Working Papers. Washington: The World Bank.

Morrell, K., & Tuck, P. (2014). Governance, tax and folk tales. Accounting, Organizations & Society, 39(2), 134-147.

Mylonas, P., Magginas, N., & Pateli, E. (2010). What are the margins for increasing PIT revenue in the Greek economy? Monthly Macro economic Outlook (Strategy and Economic Research Division, National Bank of Greece), May, 1-19.

Hansson, A., Olosfotter, K. (2005). Integration and tax competition: an empirical study of OECD countries. Lund University WorkingPaper 2005/4.

Hall, R. E and Rabushka, A., 1985. The Flat Tax. Stanford: Hoover Press Publication.

Hutsebaut, M.(2014).Taxation and budgetary policies in the western Balkans. *SEER: Journal for LabourandSocialAffairs in Eastern Europe* Vol. 17, No. 2, EngagementandPoliticalChange: WallsReconstructed? (2014), pp. 207-235.

Quéréa , A. B. Trannoyb A. and Wolffc G.(2014). Tax Harmonization in Europe: Moving Forward. French Council of Economic Analysis. 3

Pere, E. Hshorva, A.(2011). Tax Systems in West Balkans Countries- Between Simplicity and Efficiency. Romanian Economic and Business Review 6 (2), 80.

Pendovska, V. and Dzafce, S., 2009. Flat Tax: The Case of Republic of Macedonia. Pravni zivot, (12), pp. 123-135

Pendovska, V. Neshovska, E. (2014). Tax reforms: experiencs and perspectives the case of Republic of Macedonia. Tax reforms: experiences and perspectives, Conference Proceedings, 96-120.

Piketty, Thomas, and Emmanuel Saez. 2013. "Optimal Labor Income Taxation." In Handbook of Public Economics, Vol. 5, edited by Alan J. Auerbach, Raj Chetty, Martin Feldstein, and Emmanuel Saez, 391-474. Amsterdam: Elsevier-North Holland.

Piketty, Th. Saez, E., Stantcheva, S.(2014). Optimal Taxation of Top Labor Incomes: A Tale of Three Elasticities. American Economic Journal: Economic Policy 2014, 6(1): 230-271

Reckon. (2009). Study to quantify and analyze the VAT gap in the EU-25 member states. Report to the Directorate-General for Taxation and Customs Union, European Commission.

Rădulescu, M(2011). The fiscal reforms and flat tax in europe and cee contries. Scientific Bulletin-Economic Sciences Volume 10/Issue 2. 24

Tanzi, V. and Tsibouris, G. (2000) 'Fiscal Reform Over Ten Years of Transition, International Monetary Fund, WP/00/113, June

Tcherneva, P. R., 2011. Fiscal Policy Effectiveness: Lessons from the Great Recession. Working Paper, No. 649. Levy Economics Institute of Bard College.

Stepanyan, V. (2003). Reforming Tax Systems: Experience of the Baltics, Russia, and Other. Countries of the Former Soviet Union', IMF WP/03/173.

Schafer, M.E. and Turley, G. (2001). Effective versus statutory taxation: measuring effective tax administration in transition economies.European Bank for Reconstruction and Development Working Paper No. 62, May.

See Andersson, F. and R. Forslid (2003): "Tax Competition and Economic Geography", Journal of Public Economic Theory, 5(2), pp. 279-304.

Šimovič, H. Blažič, H. Štambuk, A.(2014). Perspectives of tax reforms in Croatia: Expert opinion surver. Tax reforms: experiences and perspectives, Conference Proceedings, 121-147.

Wiswesser, R., 1999. Adjustment of Personal and Business Income Taxation to Inflation. In: M. Rose, ed. Tax Reform for Countries in Transition to Market Economies. Stuttgart: Lucius and Lucius, pp. 73-98.