

The Effect of Taxes on Development: An Albanian Case

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Abstract : All national governments aim to achieve economic equilibrium to build sustainable welfare, political stability, and economic equilibrium. There are various instruments to stimulate economic development and growth and achieve macroeconomic objectives. After the collapse of the political and economic system in the 1990s, some countries faced the complex challenge of economic development. This study aims to determine, based on empirical research, whether and to what extent tax revenue has an impact on the economic development of Albania. Furthermore, it gives an overview of the ways in which high tax burdens on the western Balkan countries have negatively affected foreign investment and reduced economic growth. This analysis is important for these selected countries, as the financial system has changed significantly over the years and has been affected significantly by a period of economic transition. The analysis is performed based on secondary data possessed by the World Bank and the central bank of each participating country between 2005 and 2018. The research findings indicate that tax policy affects, to a significant extent, the economic development of Albania. An efficient tax system is when individuals are willing to pay tax liability which will help in improving the economic well-being of a country.

Keywords : tax, development, economic growth, tax revenue

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