

The 16th Economic International Conference
New Challenges and Opportunities for the Economy 4.0
May 7, 2020 – May 8, 2020

VAT Compliance and VAT Efficiency: Case Study on European Emerging Economies

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INTRODUCTION

- Value added tax (VAT) is considered to be an important tool for streamlining the collection of taxes.
- **The aim:** analysis of VAT compliance and VAT efficiency in the case of Central and Eastern European countries, members of the European Union.
- First stage hypothesis:
 - H1:** A high VAT rate determines a lower VAT compliance.
 - H2:** A lower VAT compliance is associated with a higher corruption perception.

DATA AND METHODOLOGY

- DATA: VAT rates, VAT revenues, corruption perception index (CPI), dummy and control variables for 4 countries (Romania, Bulgaria, Poland and Hungary) for 15 years period
- METHODOLOGY: cross-border analysis, DEA method

PRELIMINARY RESULTS DISCUSSION (1)

- The first stage of the research is composed by a cross-border analysis of VAT rates and VAT revenues, in order to test if the VAT compliance is high in European emerging economies;
- First preliminary results show a negative impact of the high VAT rates on the level of VAT compliance. Thus, H1 is accepted.

PRELIMINARY RESULTS DISCUSSION (2)

- The second stage of the research is to estimate VAT efficiency, using DEA method.
- This stage is still in progress, so further results will be obtained.

- This study is a work in progress.
- Due to its complexity, our preliminary results are not completely elaborated. In order to complete the first stage of our research a more in-depth analysis is needed to test the research hypotheses. H2 will be further tested.

ACKNOWLEDGEMENT

- This work is part of „Development of tertiary university education in support of economic growth” - PROGRESSIO, project code POCU/380/6/13/125040, project co-financed by the European Social Fund through the Human Capital Operational Program 2014-2020.