

TAX POLICY, TAX DISHARMONY AND TAX COMPETITION: THE SITUATION OF GREEK ECONOMY

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Abstract

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The European Union is a unique economic and political union, a single "internal" market with over than 510 million inhabitants. Further coordination in the field of taxation is required, since it is not yet integrated into the E.U. policy and remains under the responsibility of national governments. However, the economic and financial turmoil caused by the crisis of 2008 and the new challenges resulted from the globalization and digitalization of the economy, require profound reforms to tax systems. Thus, fiscal policy is a significant priority on the EU agenda: firstly, in order to stabilize public finances, stimulate growth and competitiveness and finance the European social welfare model as well as to tackle tax evasion and aggressive tax planning, developed mainly by multinationals. The present paper attempts to explore on a theoretical and empirical basis the challenges and possible developments towards harmonization in European taxation, at a critical juncture, not only for the integration but also for the existence of the European Union. More specifically, it investigates the Greek taxation and its structural weaknesses through empirical research conducted with questionnaires distributed among 225 tax officers, accountants, and accounting executives and statistical processing of their response. The results were examined through descriptive analysis, segmented in seven theoretical domains based on the examination of both audit literature and the present taxation state of Greece. The findings reveal that structural problems remain unresolved within the Greek tax system. However, it is understood that issues of distrust toward the taxation system may hinder harmonization processes.

Keywords: Taxation, Tax Planning, Tax Competition, Tax Consciousness, Greece

1. INTRODUCTION

Even though fiscal recovery is starting to take place in the European Union, it seems rather unequal between the member states. Taxation plays a major role in the structural political reforms, aiming to fiscal consolidation and accomplishment of higher growth rates. The relation between taxation and growth is bilateral: the fiscal policy in developed countries is often different than the one applied to developing ones, while the least developed

economies have to face different difficulties in order to raise tax revenues.

In this context, tax competition as a result of the globalised economy is taking huge dimensions preoccupying the academic community in the last decades according to numerous available references. On the contrary, single global taxation is one of the fields, which has not been researched thoroughly by economist or political scientist. The complexity and the interaction of tax legislation affect the cross-border economic activities and economic growth, a matter that has great research interest.

The basic tax competition model is often attributed to Zodrow and Mieszkowski (1986). The model describes two countries sharing a single tax base, which is characterised by international mobility and interdependence regarding their tax policies. Furthermore, Persson and Tabellini (1992) point out that the internal market in Europe will increase significantly the international resource mobility, while the vast capital mobility will change the balance on a political and economic level.

It is noted that the structural problems of the Greek tax system have not been yet confronted: instability, complexity, vagueness, multiplicity of laws and bureaucracy still exist. The increase of the tax rates for both indirect and direct taxation, which are over the average in the EU and in OECD, have as a result a higher tax burden. The annual property tax has significantly increased being one of the highest in the EU.

The tax evasion is a long-term weakness, which can be confirmed by the gap of VAT in Greece in comparison with VAT in other EU countries. According to European Commission, one-third of the potential VAT revenues is lost due to tax evasion and fraud. These problems limit the efficiency of controls and the general efficacy of services. The fraud issue in tax services still exists and has to be confronted systematically and decisively.

This article records the main tax challenges both in the single market and in the international fiscal environment. Specifically, the perspectives of dealing with these challenges are attempted to be researched within the European framework. In addition, Piketty and Cantante (2018) in their work regarding wealth, taxation and inequality further address this issue. Salverda (2018) refers to household income inequalities and labour market position in the European Union. Regarding taxation E.U. the possibility of inconsistencies in it places the great risk on a harmonious and prosperous coalition between states. This paper emphasizes on the importance of this issue and the significance of the consequences in the absence of predictive and corrective strategies in the E.U.

The next section introduces the literature that comprises the meaning and function of taxes as well as the tax effect in economic growth. In the next section we examine the issue of tax competition and its effects, while the goals of tax harmonisation are analysed both on European and international level. The third section demonstrates our results about the European tax policy and the structural weaknesses of the Greek tax system case within the European framework. Finally, the findings are discussed and the most interesting deductions are presented followed by possible future extensions of the current research.

2. LITERATURE REVIEW

2.1. Taxation on global scale

According to Stiglitz (1988), a good tax system has to be characterised by economic efficiency, as it must not interfere in the efficient resource distribution. Meanwhile, the system has to be simple and with relatively low managerial cost, as well as to be ready to adapt easily to the changes in the

economic circumstances. Responsibility is also another element, as the system has to be designed in a way, in which the political system reflects clearly its preferences. Finally, the tax system must be governed by the principles of justice.

Heinemann et al. (2008) conclude in their empirical model referring to business taxation that the countries decide to reduce their tax rates in two cases: if their tax rates are high or if the countries provide lower tax rates. In this context, Overesch and Rinke (2011) have come to the conclusion that if the tax competition did not exist, the average nominal tax rate in the Western European countries would be higher in comparison with the reality. It is also noted that the classical method of calculating tax factors is the one by Mendoza et al. (1994), in which they introduce a time series model regarding tax factors for big industrial countries, they identify the income paid for different taxes on a level of general governance and they determine collective measures of the correspondent tax base. Similar cases were mentioned in Andrieu et al. (2015) work regarding Fiscal Governance reforms in the European Union.

Genschel and Schwarz (2011) refer to the tax competition and its various strategies, which governments use in cases of different scales and taxes. Deep fiscal fulfilment has a double effect on taxation - it exposes the taxes to the international competition and introduces them gradually to the international rules and institutions. Steichen (2002) thinks that the tax competition among other advantages has a positive effect on fiscal growth and prevents the over-expansion of the public sector. Meanwhile, according to Pareto, tax harmonisation is not the optimal choice. Lampreave (2011) indicates that the competition is desirable when it pushes the member states to become more efficient in tax collection and disposal. At the same point, she proposes the commitment of the EU member states to commonly accepted rules against harmful tax competition. This case shows, however, some differences compared to Huda et al. (2018) work addressing the autonomous provincial governments, although the need for strategic reconstruction of procedures is evident.

Devereux and Sørensen (2006), as well as Devereux and Vella (2014), research the future of corporate taxation in a globalised economic environment. Radaelli (1997) examines the political dilemma of tax centralisation for EU businesses and the undesirable effects of tax competition and double taxation. Regarding taxation of the shipping industry disharmony occurs because of distrust among people who believe tax incentive regulation to be unjust or support national shipping productivities. Therefore, governments need to reconstruct incentive policies to reconsolidate these problematic issues (Putranti et al., 2018).

The debt crisis has given a new boost to the discussion on tax harmonisation, as Bénassy-Quéré et al. (2014) specify having in mind that among the adopted policies a readjustment of the tax systems was necessary. Verdier and Brachet (2006), as well as Fabre (2011), refer to the matters of a single European tax policy. Radaelli and Kreemer (2007) present the findings of their research regarding the changes in the international tax governance and the

progress of the cooperation between EU and OECD about the corporate tax. Bearer-Friend (2012) refers to the potential contribution of FATCA (Foreign Accounts Tax Compliance Act) of the USA in approaching the goal of tax harmonisation in the EU. Piketty (2013) refers to the rapid growth of inequality in Europe and supports that increasing taxes during a recession is catastrophic.

2.2. Taxation in the EU

Corporate taxation is one of the major issues arisen regarding the tax coordination between member states in the field of direct taxation. The studies were followed by initiatives to accomplish a basic harmonisation in the corporate tax system.

Fiscal performances and social circumstances, as well as the implementation, are still inhomogeneous in the EU. The public and private debt as percentages in the GDP as well as the nominal budget deficit are still high in many countries, while other ones are facing the continuous difficulty of low growth rates. Finally, tax avoidance, tax evasion and aggressive tax planning cause potential revenue losses in the public economy of various member states.

Structure, efficiency, efficacy and justice are the characteristics of a state tax system that can contribute significantly to the stability of the public economy, as well as strengthen its growth, employment and competitiveness. Apart from financing the public expenditure, taxation is a mean for redistribution of income. These factors in combination with specific political characteristics and the economic and social priorities of every state form different tax environments (Osterloh & Heinemann, 2008).

The tax revenues can be categorised into three tax types: indirect taxes, which are connected with manufacture and imports, direct taxes, which are current income taxes, wealth taxes etc., and social contributions. As mentioned above, direct taxation is the exclusive responsibility of state governments regarding both the taxation of individuals and of businesses. Meanwhile, there are significant differences that come up regarding the height of the tax factors that each member state applies.

The EU aims to have a reforming strategy, known as "Lisbon strategy", in an attempt to pioneer in all sectors, in which competition is highly noted. Through the combined approach of their economic policies, European governments are called to face matters of competitiveness and imbalances between member states in the EU. These actions must proceed without weakening the EU position in an integrated world economy. Based on this spherical approach, the vital role of tax systems and tax policy in accomplishing the above-mentioned goals is becoming comprehensive.

Tax avoidance is closely connected with the definition of aggressive tax planning. Large corporations apply wide tax planning by transferring artificial profits in order to reduce their effective tax rate and their tax liabilities (Kleva, 2013).

The interdependence between countries causes the so-called tax reduction process, as each country is competing with others to attract the mobility of the tax base (Devereux & Sørensen, 2006). The final result is a Nash equilibrium, which is characterized

both by inefficient low capital tax rates and by the inability to supply public goods on a desirable level (Zodrow & Mieszkowski, 1986). Moreover, a significant part of the tax burdens is transferred to labour, which as a "cumbersome" rate does not allow the mobile tax base to escape taxation (Persson & Tabellini, 1992; Mendoza et al., 1994; Adam et al., 2013). Meanwhile, the loss of tax revenues is attempted to be balanced with the increase of the indirect taxes (VAT, excise taxes), which causes the unfair distribution of tax burdens and households' liabilities (Eroğlu, 2015).

If the tax rules become common, not due to the intervention of the European legislation but due to the competitive pressure, the result of this "mild" harmonisation is called "tax convergence" (Steichen, 2002). The convergence can refer to the difference reduction of tax bases or rates and can be caused by the competition (i.e. by the process "race to the bottom") or by the coordination (Bénassy-Quéré et al., 2014).

2.3. Taxation in Greece

In Greece, the social cost of the prolonged recession and the intensification of fiscal adjustment measures are high and can be reflected in the significant aggravation of all the social indicators, especially of poverty and inequality. Greece has notably low performances in various indicators of well-being, especially regarding material conditions and labour. The subjective well-being is lower between the OECD countries. The unemployment rates, especially of the youth and the long-term unemployed, are the highest in the EU, while the incomes have been dramatically reduced. The rates of poverty have been tripled reaching the greatest increase among the countries of OECD¹. The effective GDP has been decreased by 26% during a period when almost all the EU countries have shown positive rates of GDP change.

Sustainable economic growth is needed in order to deal with poverty, to create new job opportunities and to ensure fiscal stability. The development process is excessively complex and complicated, while it needs various factors, among which the right mixture of fiscal policy. As it derives from many empirical studies, the constant tax increase during a recession undermines both the fiscal adjustment sustainability and growth². Simply, during recessions, the tax increase is a catastrophic measure (Piketty, 2013).

The labour taxes - the total labour burden included the social security contributions - are also above the average in comparison with the EU and OECD countries. The European Commission and OECD propose relocating the tax burden on labour. The effectiveness of tax administration according to studies of the European Commission is considered insufficient. Moreover, recent studies by OECD, the European Commission and the organisation "Transparency International Greece" identify disturbing corruption rates in tax administration, which have to be strategically confronted³.

¹ OECD Economic Surveys: Greece 2016.

² IOBE (Foundation for Economic and Industrial Research), The Greek Economy 2/2016, Quarterly Report, June 2016.

³ EU Report about the fight against corruption – Annex Greece (COM (2014) 38 final).

3. RESEARCH DESIGN

By examining critically the structural weaknesses of the Greek tax system, a composition of both theoretical and empirical research is attempted.

Specifically, empirical research was carried out based on questionnaires, which were distributed to people dealing with tax processes: tax officers, accountants and executives in accounting department. The empirical research was held with the participation of 225 tax officers, accountants and executives in accounting department.

A questionnaire was printed and distributed to the participants, including 25 topics divided into eight parts. The questions were based on a five-point rating scale (Likert), according to which the

respondents have the option to express their degree of agreement or disagreement with respect to each statement.

The research was held in a particular time period and in the restricted geographical district of Thessaloniki. As the second largest population and economic centre of Greece, it provides a suitable sample regarding matters of taxation and the possible issues deriving from the latter.

4. RESULTS

4.1. Demographics

The first part includes the personal information of the respondents. Table 1 shows the demographics.

Table 1. Demographic

<i>Demographics of respondents</i>	<i>Frequency</i>	<i>(%)</i>
<i>Education</i>		
Secondary education	31	13.8
Higher education (universities/universities of applied sciences)	157	69.8
Master's degree	37	16.4
<i>Positions of respondents</i>		
Tax officer	111	49.3
Accountant	66	29.3
Executive in accounting department	48	21.3
<i>Years of work experience</i>		
1-5	27	12.0
6-15	70	31.1
Over 15	128	56.9

From this table derives that out of the 225 participants 16.4% have a master's degree, 69.8% have a degree from a university/university of applied sciences and 13.8% have graduated from high school. Regarding their job position, it is showed that 111 respondents are tax officers (49.3%), 66 are accountants (29.3%) and 48 are working as executives in accounting department (21.3%). Finally, more than half of the respondents - 56.9% - have job experience of over 15 years, 31.1%

are working for 6-15 years and 12% are employed less than 5 years.

4.2. Descriptive statistics

The second part of the questionnaire includes the first 4 questions (1-4), which refer to the efficiency of the tax system. The results are presented in the following table.

Table 2. Descriptive statistics Questions 1-4

		<i>Frequency (%)</i>					<i>Mean</i>
		<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	
V01	The Greek tax system is stable without significant changes during the last decade	214 95.1%	7 3.1%	3 1.3%	0 0.00%	1 0.40%	1.0756
V02	Bureaucracy does not exist in the tax procedures	154 68.4%	51 22.7%	15 6.7%	2 0.90%	3 1.3%	1.4400
V03	Tax legislation is not characterised by multiplicity of laws, complexity or vagueness	195 86.7%	22 9.8%	4 1.8%	2 0.90%	2 0.90%	1.1956
V04	The Greek tax system promotes new investments	193 85.8%	28 12.4%	4 1.8%	0 0.00%	0 0.00%	1.1600

Due to the plethora of reforms and circulars that were adopted in the time period 2015-2016, the answers of the first part have been updated. It seems like that the problems of the tax system have not been solved. Almost all the respondents (98.2%) think that the tax system is not stable. Regarding the fight against bureaucracy, the results are overwhelming, as 68.4% of the respondents completely disagree with the statement that bureaucracy does not exist, 22.7% disagree partially, while only 5 respondents agree. Concerning the

multiplicity of laws and law complexity, 96.5% of the respondents think that multiplicity of laws exists, while the tax legislation suffers from vagueness and complexity, which have to be dealt with on a daily basis. Finally, almost the total of the respondents disagrees that the tax system is friendly to investments.

In the third part, which includes the questions 5-9, the efficiency of the tax services is investigated. The results are shown in the following table.

Table 3. Descriptive statistics Questions 5-9

		Frequency (%)					Mean
		1	2	3	4	5	
V05	The staff in tax services is quantitatively sufficient	44	74	48	38	21	2.6356
		19.6%	32.9%	21.3%	16.8%	9.3%	
V06	The employees are sufficiently educated and trained	80	64	39	30	12	2.2444
		35.4%	28.3%	17.3%	13.3%	5.3%	
V07	The tax audit mechanism is equipped with the appropriate means and training in order to find and deal with tax evasion and tax avoidance.	98	79	23	20	5	1.9111
		43.4%	35.0%	10.2%	8.8%	2.2%	
V08	The tax controls have specific targets (especially profession categories with high tax evasion rate)	66	76	52	24	7	2.2444
		29.2%	33.6%	23.0%	10.6%	3.1	
V09	There are no phenomena of corruption within the tax administration	0	0	0	0	0	2.0889
		0.00%	0.00%	0.00%	0.00%	0.00%	

The table shows that the biggest part of the respondents partially disagrees (32.9%) with the statement that the staff in tax services is sufficient, while 19.6% completely disagree. Even though the number of employees has been dramatically reduced in the last years, 26.2% of the respondents think that the staff is quantitatively sufficient. The seventh question, which concerns the tax mechanism and its capacity and ability in dealing with tax evasion and tax avoidance, was answered negatively by 78.7%, while 11.1% think that under the existing

circumstances issues like these can be solved. Regarding the tax audits' target in fields with high tax evasion rates, 63.1% of the respondents disagree that the audits have a particular target. Finally, a big part of the respondents (64.5%) thinks that corruption in tax services exists. Only a small part of respondents (10.6%) has a different opinion expressing the non-existence of corruption.

The fourth part, which includes questions 10-12, examines the tax rates. The results are shown in the following table.

Table 4. Descriptive statistics Questions 10-12

		Frequency (%)					Mean
		1	2	3	4	5	
V10	The height of the tax rates and the total tax burden have been increased excessively	1	3	1	37	183	4.7689
		0.40%	1.3%	0.40%	16.4%	81.3%	
V11	The property taxation is high	1	10	14	49	151	4.5067
		0.40%	4.4%	6.2%	21.8%	67.1%	
V12	The tax burdens are not fairly distributed to the Greek citizens	5	2	6	41	171	4.6489
		2.20%	0.9%	2.7%	18.2%	76.0%	

Furthermore, 97.7% of the respondents agree - 81.3% completely agree, while 16.4% partially agree - that tax rates and burdens have been raised in Greece. Regarding real estate taxation, 88.9% agree that taxation is high, while only 4.8% disagree. Finally, concerning the justice of tax burdens 94.2% think that they are not fairly distributed. It appears that a big

part of citizens thinks that tax evasion is a major problem in Greece. The majority of respondents have the opinion that the illicit economy blooms more in Greece than in most European countries.

The fifth part, which includes questions 13 and 14, sets the matters of tax evasion and black market economy.

Table 5. Descriptive statistics Questions 13-14

		Frequency (%)					Mean
		1	2	3	4	5	
V13	Tax evasion has a significant extent in Greece	0	1	8	57	159	4.6622
		0.00%	0.4%	3.6%	25.3%	70.7%	
V14	The extent of underground economy in Greece is high in comparison with most European countries	1	7	27	92	98	4.2400
		0.40%	3.1%	12.0%	40.9%	43.6%	

By examining the answers, 96% think that the extent of tax evasion in Greece is high. Finally, the total rate of 84.5% thinks that black economy blooms more in Greece than in most European countries.

In the sixth part with questions 15-17, the existence of tax consciousness and tax compliance is examined.

In the 15th question, it is examined whether the general state framework plays a role in shaping a tax compliance behavior. 81.3% answer negatively.

The answers prove that the state does not foresee shaping a proper tax consciousness of the citizens, while the lack of trust in state and in institutions keeps the tax responsibility on low levels. This entire atmosphere is getting worse by the perception that tax compliance is not recognised by the state.

The seventh part includes two general questions (18, 19) and analyses the severe matter of the Greek business mobility in neighbouring countries due to a more favourable taxation.

Table 6. Descriptive statistics Questions 15-17

		Frequency (%)					Mean
		1	2	3	4	5	
V15	The general framework of the Greek state and its services play a role in shaping a right tax behaviour	129	54	25	11	6	1.7156
		57.3%	24.0%	11.1%	4.9%	2.7%	
V16	Shaping a tax consciousness has been foreseen even since the primary education	173	40	8	2	2	1.3111
		76.5%	17.7%	3.5%	0.9%	0.9%	
V17	The regular taxpayers are recognised and rewarded in comparison with the no regular ones	180	34	8	1	2	1.2711
		79.6%	15.0%	3.5%	0.4%	0.9%	

Table 7. Descriptive statistics Questions 18-19

		Frequency (%)					Mean
		1	2	3	4	5	
V18	Many companies are transferred in neighbouring countries due to more favourable taxation	0	0	4	34	187	4.8133
		0.00%	0.00%	1.8%	15.0%	82.7%	
V19	The income loss, with which the citizens have to deal due to increased taxation, cannot be balanced with the public goods and services provided by the state	1	5	5	22	192	4.7733
		0.4%	2.2%	2.2%	9.7%	85.0%	

Almost all respondents (98.2%) agree that the Greek businesses transfer their activities due to taxation reasons, while only 1.8% has no opinion and none disagree. The problem is intense especially in

Northern Greece, where the neighbouring countries provide favourable taxation measures for businesses.

Finally, the questions 20-25 compose the eighth part of the questionnaire.

Table 8. Descriptive statistics Questions 20-25

		Frequency (%)					Mean
		1	2	3	4	5	
V20	Strong political will and consent are needed in order to drastically tackle tax evasion in Greece	1	1	5	32	186	4.7822
		0.4%	0.4%	2.2%	14.2%	82.3%	
V21	Impartiality is a characteristic needed to the procedures of tax authorities	4	1	5	19	196	4.7867
		1.8%	0.4%	2.2%	8.4%	86.7%	
V22	Redesigning and developing various services via electronic information networks are needed	0	0	6	40	179	4.7689
		0.00%	0.00%	2.7%	17.7%	79.2%	
V23	Regular preventive tax controls are also needed, as they are efficient in some cases of tax evasion	3	4	24	54	140	4.4400
		1.3%	1.8%	10.6%	23.9%	61.9%	
V24	Extrajudicial agreement concerning tax differences is a reasonable and useful way for both taxpayers and tax administration	9	3	39	84	90	4.0800
		4.0%	1.3%	17.3%	37.2%	39.8%	
V25	The current debt settlement process needs to be reexamined and redesigned (i.e. personalised solutions)	1	1	19	61	143	4.5289
		0.4%	0.4%	8.4%	27.0%	63.3%	

The answers of the eighth part (questions 20-25) concerning the suggested solutions/measures reveal that all respondents point out the need for political will and political consent in order to deal with tax evasion. They also agree that there is room both for improvement and development concerning electronic services. The majority thinks that the preventive controls are effective in some cases of tax evasion. They also agree with the extrajudicial agreement concerning tax differences, as they have in mind all the disadvantages of the procedures on the court. Finally, the need for personalised solutions in the debt settlement process is a concept that reflects the real difficulty of taxpayers, who cannot cope with their tax liabilities.

5. DISCUSSION

It is expected that the structure of taxation varies across E.U., depending on the share of direct taxes in total tax revenues. This requires high direct tax levels and the share of direct taxation to total tax

revenues. Other countries have adopted flat-rate systems, which typically induce a stronger reduction in direct tax rates than indirect tax rates. These lower shares of direct taxes are counterbalanced either by relatively higher proportions of indirect taxes or by relatively larger shares of social contributions (E.C., 2017).

Furthermore, the structure of labour taxation differs between the Member States, since some have a higher proportion of revenue raised from consumption taxes, and from taxes on labour. For example, generally taxes on capital and business income are more sizeable than those on the stock of capital, but in Greece and the United Kingdom are evenly matched. Additionally in 2017 tax rate rise occurred in Greece and Luxembourg.

The dominant role of energy tax revenues is clear, accounting for near 77 % of EU-28 environmental tax revenues. Transport fuel taxes represent around 70 % of receipts. Greece, Slovenia, Italy and Estonia display the largest increases in

both environmental tax revenues overall and in energy tax receipts.

Furthermore, recurrent taxes on real estate property have attracted increasing attention from policy makers since low rates offer possibilities for increasing revenue, while least detrimental to economic growth given the tax base's immobility. The highest recurrent property taxes in terms of GDP can be found in France (3.2 %), the United Kingdom (3.1 %) and Greece (2.7 %).

Having in mind that only during the time period 2012-2016, 185 laws concerning tax provisions have been voted, 1077 circulars about fiscal matters have been published, the answers of the first part are to be expected. Everyone, who is dealing with taxation, continues to face difficulties concerning bureaucracy on daily work basis. The combination of these characteristics with a tax income rate, (which is excessively higher than the average rate both in EU-28 and OECD), makes Greece unattractive to foreign direct investments. This was stated by the European Commission and OECD. Additionally, tax rates in Greece showed an increasing tendency, while newer taxes were introduced during the period of 2016 and 2017.

The conclusion, which is extracted from the answers of the second part concerning the efficiency of the tax services, is negative. In the crisis and memorandum era, many experienced executives in the tax administration have been retired without being replaced. One of the first "victims" in abolishing organisations was the Vocational Education School for Employees in the Ministry of Finance (SEYYO). According to the study, despite the high training of human resources, performance is still poor, due to lack of proper means. The education provided to executives is inadequate during times, while dealing with harmful tax practices on a global scale is becoming more and more complex, as it has already been analysed in the previous chapters. The problem of corruption is not insignificant and has to be solved systematically and decisively. Its existence is confirmed also by recent studies (OECD, Transparency International Greece).

The results may indicate a need for a closer investigation of the flexibility of a tax system in cases of erratic predicaments such as fiscal depreciation periods and how it interacts with each country in the case by case scenarios. At the same time, it would be interesting to adjust researches of the banking sector such as that of Kleinow and Horsch (2014) and try to apply their factors adapted to the socioeconomic level of states. Regarding the tax rates, the majority thinks that the tax burdens have been significantly increased. This opinion is confirmed by official data. Greece has high statutory tax rates for individuals (48%) and corporations (29%), while the country's rates are ranked above the average in comparison with EU-28 (39.3% and 22.8%), EA-19 (42.1% and 24.6%) and OECD. The property taxation is high. The feeling of unfair distribution of tax burdens is universal, while the recent reforms have not yet succeeded in reducing the inequalities and setting a right distribution of income.

It is possible that the constant alterability of the taxation and legislative system regarding taxes could have created a strenuous environment around taxpayers. Furthermore, corruption levels and the states inability to equilibrate taxation and tax

avoidance confrontation rates, lead to new factors that further promote tax disharmony between Greece and other E.U. members that coped formerly with similar problems. Finally, the lack of substantial rectifications of the Greek taxation system the orifices and discrepancies between E.U. countries could continue and further disharmonies.

6. CONCLUSION

The European Union has consisted of member states with different policies and socioeconomic structures. The creation of a single European market would be accompanied with a desirable level of fiscal harmonisation and social policy. In this way, the rules of free competition would be applied without distortions.

The European tax policy is based on national tax systems formed by the member states. While harmonisation has been achieved on a satisfying level in the field of indirect taxation, in the case of direct taxation the progress is limited. The need for tax administration modernisation and for improvement of efficiency and efficacy is both a continuing political stake and a social requirement.

Within the framework of the fiscal readjustment programme, which has been applied in Greece after the crisis, various fiscal reformations have been made. Among the goals, which have been set by the new tax base, are: collecting public revenues efficiently, finding and dealing with tax evasion, empowering the tax behaviour, improving the services provided and the efficiency of tax administration.

Distrust towards the state is also expressed, which is the common feeling when dealing with issues of tax evasion, corruption and inequality. These issues create difficulties in shaping tax behaviour and compliance. Aggravation of all social indicators affects this matter negatively. Citizens think that the revenues are not invested in infrastructures and services for the growth and the well-being of the society.

In the field of entrepreneurship, Greece faces difficulties because in shrinking markets no investments are made, and no financing is provided. The increase of the tax burdens and the changes in legislation have become negative challenges for empowering entrepreneurship, for attracting new investments and for promoting Greek exports. Increasing the exports and attracting new investments are the keys to a sustainable recovery.

The tax system, which focuses mainly in collecting, has many deficiencies concerning the distribution of tax burdens, the redistribution of income and the promotion of economic growth. The future reforms have to focus on this balance, which is kept with difficulty, and on these existing critical deficiencies.

Our research focused on a major economic center in Greece. An extension of this research across the country could present new factors that this attempt could not exalt. At the same time, the questionnaire as a research tool may involve the element of subjectivity, while it is important to take into consideration the psychological state of the respondents. The authors expect to improve the results by using more tangible elements, although difficult to obtain from current databases.

It would be interesting to study the subject by including more country-specific data in the next survey. Perhaps an even more interesting effort would be to study tax harmonization through clusters of states based on geopolitical similarities and differences. This survey would present factors

and features that, if dealt with on a case-by-case basis, could potentially smooth out disparities in the tax functions of the European Union. Furthermore, it should be pointed out that future research could specify taxation disharmonies by sector as it was derived by Putranti et al. (2018) work.

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