THEORETICAL AND PRACTICAL APPROACHES TO QUANTIFYING TAX EVASION (THE EU' AND SLOVAKIA' CONTEXT)

[a]NORA ŠTANGOVÁ, [b]AGNEŠA VÍGHOVÁ, [c]MÁRIA PETRUŠČÁKOVÁ

[a-c]University of Economics and Management in Bratislava, Furdekova 16, 851 04 Bratislava 5, Slovakia
email: [a]nora.stangova@vsemba.sk, [b]agnesa.vighova@vsemba.sk

Abstract: Tax evasion causes a significant loss of revenue from the state budget for any country, including countries of European Union, in particular, the Slovak Republic. Therefore, European Union countries are looking for ways to detect tax evasion. It is not possible to completely eliminate tax evasion, but it is possible to effectively detect and combat tax evasion through legislation as well as through effective tax control. The aim of this paper is to outline the theoretical as well as practical approach to classifying and quantifying tax evasion, and to make recommendations aimed at reducing the tax gap.

Keywords: tax evasion; tax evasion quantification; tax gap; tax gap calculation approaches.

1 Introduction

Combating tax evasion is a major goal for policymakers worldwide as it is a global phenomena detrimental to all economies. However, a deeper understanding of tax evasion and knowledge of its scope are prerequisites for effective control over it. Determining the dimension of this phenomena using various theoretical, experimental, statistical, and mathematical approaches was the main focus of many scientific publications because to its nature, which makes it difficult to quantify and prevents direct observation. Tax evasion represents the result of the overall economic behavior of tax subjects, oriented towards reducing the tax subject's tax liability towards the state.

In quite a large number of sources, one can often find completely different interpretations of the concepts being studied: "tax reduction", "tax evasion", "tax avoidance", "tax minimization", "tax optimization", "tax planning", etc. While tax minimization means the maximum reduction in tax amounts, tax optimization is a process associated with achieving certain proportions of absolutely all aspects of the activities of business entities as a whole, as well as the various transactions and projects they carry out. In other words, in the case of tax minimization, only taxes are controlled, while in tax optimization, all aspects of the activities of business entities are controlled. In the case when, in the course of business activities, mechanisms for minimizing or optimizing taxation are used, a situation of tax evasion often arises.

In the economic literature, tax planning is understood as the purposeful activity of the subject of tax relations, carried out strictly within the framework of the law and providing for the optimization of tax payments in order to achieve the most effective final result [2]. Most authors, when classifying types of tax planning, use two criteria for distinguishing its types: the legality of the taxpayer's actions and the degree of tax burden. When these criteria are used together, three types of tax planning are obtained [13]:

1. Classic - the taxpayer's actions comply with the law; tax payments are made as usual.
2. Optimization - the taxpayer's actions comply with the law; tax payments are made as minimally as possible.
3. Illegal (vulgar) - the actions of the taxpayer do not comply with the law; tax payments are not made in full or not made at all.

Of the types under consideration, the essence of the tax planning process is most fully reflected by its type, such as 'optimization of tax planning', or 'tax optimization'. It would be most correct to define the optimization of tax payments as a general strategic task of an organization, for the solution of which tax planning methods are used. Moreover, the essence of this task is not to mechanically reduce taxes, but to build an effective system for managing the organization and making decisions in such a way that the entire structure of the business is optimal, including taxes. In other words, it is not about tax reduction tactics, but about a strategy for effective company management [27].

However, in taxation practice, there are situations when taxpayers implement not only the ability to use gaps in legislative regulation, but also the lack of necessary tools among law enforcement official bodies. Budget losses in such cases can be quite large. Thus, the terminological problem is at the intersection of the legislative and executive spheres of state activity.

In many cases, the ex post, or post-court, perspective is the only one that makes the distinction between tax evasion and avoidance evident. The taxpayer is only required to go by the letter of the law; they are not required to obey the spirit or the underlying intent of the tax code. However, in actuality, this line is frequently hazy. This is the reason tax evasion frequently occurs in the gray sections of the tax code, where interpretation is required due to ambiguity.

According to www.europarl.europa.eu, the European Parliament defines tax evasion and avoidance as follows from a legal standpoint: In general, tax avoidance refers to the lawful practice of utilizing tax laws for personal gain in order to lower one's tax liability, until it is declared unlawful by tax officials or, in the end, by the courts. The criminal act of avoiding taxes by hiding income - earned lawfully or illegally - from the tax authorities' discovery and collection is known as tax evasion. The majority of EU nations view tax evasion as a criminal act. Depending on the amount of taxes avoided, some of them see them as administrative violations up to a certain point, and once that point is reached, they view them as criminal offenses. For instance, in Bulgaria, it is deemed a criminal infraction for amounts over 3000 BGN (about 1500 EUR) and an administrative offense for amounts under this threshold [15].

It's important to distinguish between tax avoidance and tax evasion. Generally speaking, tax avoidance refers to structuring one's financial affairs in a way that either lowers or avoids paying taxes, which is legal. Contrarily, tax evasion is an illegal practice that uses deceit. In the meanwhile, it's believed that tax avoidance and evasion have a significant role in reducing the amount of money raised through taxes. Thus, regardless of whether it is legal or illegal tax evasion, it is an undesirable phenomenon from the point of view of the state's economy [11]. The estimate of VAT evasion in the EU is approximately 160 billion Euros per year. Therefore, correct quantification and measures of individual EU states that lead to the reduction of tax evasion are very important.

2 Materials and Methods

Theoretical approaches to the quantification of tax evasion include a procedure in which to calculate estimated tax evasion in the field of indirect taxes, we use the methodology of estimating and calculating the volume of the so-called gray economy in Slovakia, which operates within the European Union.

3 Results and Discussion

Because tax evasion and avoidance are covert activities, estimating them can be challenging. These acts typically go unreported and unrecorded in statistical databases. Another problem that emerges in emerging nations is the fact that access to economic data is far more limited than it is in rich nations. This explains why there is a dearth of factual evidence on tax evasion and avoidance in developing nations. A few research have been done on the estimation of tax avoidance and evasion.

Direct and indirect approaches are used for the calculation methods, but model approaches are most often used. Direct methods are aimed at adding GDP to the production of the gray

economy in a certain place and time, i.e., sample surveys or tax evasion surveys [22]. These methods are detailed and accurate, but limited in that they can only quantify a sample set. Indirect methods have a macroeconomic character and are most often monetary methods, which is also their disadvantage. The model approach is based on the assumption of causality between the cause and effect of the shadow economy. The most frequently used is the MIMIC (Multiple-Indicators and Multiple-Causes) method.

Research in the field of the gray economy did not confirm the correlation between the amount of gross domestic product and the amount of illegal income. Even the correlation between the amount of taxes and the growth of this shadow economy is not as dominant as one would expect [10; 12; 20]. The highest correlation was recorded with sufficient real income and the possibility to procure all required goods without risks, and on the contrary, with their insufficient amount, where obtaining an advantage is much more used even at the cost of a high risk of detection of fraud [3]. This was the reason why we focused on finding out whether there was a decline in the real incomes of the population and the business sector, and thus to what extent the inflationary development exceeded the development of nominal incomes.

A practical approach to quantifying tax evasion is the calculation of the tax gap. Tax loophole means quantifying the extent of tax evasion. Thus, it represents the difference between the tax actually paid and the tax that should have been paid if all individuals and businesses declared their activities and transactions correctly in accordance with the applicable legislation and the intentions of the legislation (theoretical tax).

The tax gap is cleared by the results of the control activity of the tax administrator. The tax gap has the following main components:

a) Undeclared tax (i.e., tax evasion),
b) Tax detected by inspection or declared tax that has not been paid.

Figure 1 demonstrates an overview of the tax loophole.

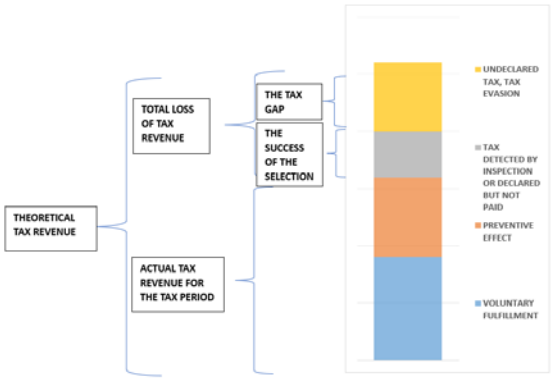

Figure 1. Overview of the tax loophole [17, p. 98]

The estimate of the tax gap can be calculated for all taxes that are in the tax system. An effective calculation of the tax gap is in the case of an indirect tax that exists in all states of the European Union - that is value-added tax.

According to Cobham [4], domestic evasion accounts for US$ 285 billion of the total tax gap resulting from tax evasion and avoidance in developing countries. The remaining US$ 385 billion is thought to be related to international profit shifting and tax evasion through offshore holdings of financial assets. He takes into account the subsequent tax evasion model: In the absence of any leakages, the total tax revenue would be

$$T0 = tY(\Omega) \qquad (1)$$

Where the income (Y) generated by the economic activity (Ω) is Y(Ω), the countries tax system's average tax rate is t% and T0 is the total tax revenue.

Still, there are instances of leaks. We shall limit our investigation to the leakage caused by the shadow economy. Tax income will be reduced by s if the amount of the shadow economy in total economic activity is determined by a proportionate factor.

$$T1 = tY(\Omega(1-s)) \qquad (2)$$

Next, the lost tax income as a result of the shadow economy is

$$T0 - T1 = tY(\Omega(s)) \qquad (3)$$

This difference is estimated as it follows:

$$\text{Est}(T0 - T1) = \text{Tax revenue to GDP ratio X GDP X Share of the shadow economy in GDP} \qquad (4)$$

Schneider's [20] estimate of the GDP proportions of the shadow economy was utilized in his computations. The limits of Cobham's method are argued by Fuest and Riedel [5]. Some of them are the following:

1. One way to sum up the tax system is as a proportionate tax on GDP. This deviates from the tax system's structure (direct versus indirect taxes, tariffs against value-added taxes). This implies that operations in the shadow economy would be subject to the same average tax rate as those in the official sector if they were transferred to the legal economy. As the writers contend, the organization of operations in the shadow economy may differ from that of the official economy.
2. This method makes the assumption that economic behavior is predetermined and will not change if tax enforcement does. Individuals may be less inclined to invest, put in effort, and invest if they are taxed. Therefore, if economic activity is included into the formal economy, it may be reduced.
3. We often overlook the costs of administration and compliance, which have an effect on the amount of money that may be raised. Reducing the shadow economy may actually decrease rather than enhance the amount of money available to pay for public services if these costs are significant.

Additionally, Cobham [4] leaves unresolved some questions about the integrity of the methodology and the connection between the measurement concept and the data employed. A pertinent concern that emerges is whether the methodology takes into account the fact that the GDP, as stated in the WDI statistics, comprises a portion of economic activity that is tax evading.

Cobham's computation of the tax gap is dependent on the accuracy and validity of the estimates of the shadow economy obtained from Schneider [21], as well as the significance of the shadow economy as assessed by Schneider for the specific problem of tax evasion. However, only a portion of what is typically classified as the shadow economy would be subject to taxes if it were disclosed to the government. Certain activities would be prohibited, especially illegal ones.

Schneider's Multiple Indicators, Multiple Causes (MIMIC) methodology specifically takes into account a number of the informal economy's causes and consequences. In order to estimate the variable itself, the approach analyzes the relationships between the observable causes and the consequences of an unseen variable - in this example, the informal economy.

The following phases, as outlined by Schneider and Medina [14], form the basis of the model:

1) The shadow economy is being modeled as an unobservable quantity.

2) An explanation of how the latent variable's causes relate to it in a structural model:

$$SE = \Gamma X + \xi \quad (5)$$

3) The measurement model illustrates how the latent variable and its indicators are related:

$$Y = \Lambda y SE + \varepsilon \quad (6)$$

Where SE is the shadow economy, X is the vector of causes, Y is the vector of indicators, Γ is the coefficient matrix of the causes, Λy the coefficient matrix in the measurement model and ξ, ε are the errors of the two equations.

According to Schneider and Medina's [14] research, the estimation is dependent on the following factors that influence the shadow economy: a) an indicator of the economy's tax burden; b) institutional quality; c) openness, as measured by trade openness; and d) unemployment. Measurable indicators are also employed by the MIMIC model. These include: a) currency as a percentage of wide money; b) labor force participation; and c) an estimate of the size of the economy.

For many years, the basic MIMIC model has been applied rather often in the literature. It has also drawn criticism, mostly for using GDP (GDP per capita and GDP growth per capita) as an indicator and cause variable. Instead of employing GDP per capita and GDP growth per capita as cause and indicator variables, the authors employ Henderson, Storeygard, and Weil's (2012) "night lights approach" to separately capture economic activity in order to overcome this problem [8]. In their article, they employ space-based light intensity statistics as a stand-in for the "real" economic development that nations have experience [14]. The main disadvantage of the model is that a quantification of the shadow economy relies on the validity of the reference value. Since the latent variable is not observed, only an index (as opposed to an absolute value) of the latent variable can be obtained through the estimation model. This index is arbitrary. To relate the index to real variables like GDP one must estimate (or otherwise obtain) the size of the shadow economy for one certain year, a 'base year'. The size of the shadow economy for all other years can then be extrapolated from the index. Therefore, the level of the shadow economy is not derived from the MIMIC model, but only the change of the time path

Individual EU member states deal with the quantification of the tax gap. Great Britain, Sweden, and the USA have the most elaborated methodology for estimating the tax gap [11].

The Tax and Customs Office of Great Britain - HM Revenue & Customs - processes material on the country's tax loophole every year, where it reveals the non-recognition of taxes due to reasons that include:

1. Criminal activities – activities of organized criminal groups that come together with the aim to coordinately and systematically violate valid legal regulations - for example, VAT fraud, carousel fraud.
2. Illegal tax evasion – individuals or companies intentionally distort, hide economic information in order to reduce tax liability.
3. Hidden economy - according to HM Revenue & Customs, it is an unofficial economic activity, thanks to which the entire source of income is not statistically captured, because the tax administrator does not know about the taxpayer's economic activity.
4. Avoiding the payment of taxes - this is the acquisition of tax benefits that the legislator never considered. In other words, gaps in the legislation.
5. Legal interpretation of legal standards – this is a situation where the tax administrator and the tax subject have different opinions on the given issue. These are ambiguous provisions of the law [18].
6. Non-payment of tax – this is a case where the tax subject has acknowledged the tax liability, but is unable to pay and the tax administrator is unable to collect them.
7. Negligence and carelessness that occur when drawing up financial statements and calculating tax liability.
8. Errors that imply various unintentional errors in the calculation of tax liability.

Development of presumed tax evasion in indirect taxes in Slovakia and EU member states deserves special attention.

As it was mentioned above, tax evasion represents an undesirable situation for the state and the state budget. In the ten years since 2009, the level of tax evasion in the EU has decreased by 12 to 16 percent, but it is still quite high. In 2015, EU nations lost an estimated 824 billion Euros in tax revenue, according to a study conducted by the University of London on behalf of the Socialists and Democrats parliamentary party in the EU Parliament. According to tax expert Richard Murphy, who performed the analysis, this is significantly more than the amount that the public sector misses out on due to firms lawfully evading taxes (50 to 190 billion Euros) [1].

The information displayed in this infographic (see Figure 2) is the best estimate; according to Murphy, the total may range from 750 to 900 billion euros throughout the EU. In terms of percentage terms, Italy evades the biggest portion of this, followed by Germany and France. With 47% of GDP, Denmark is in first place, followed by Austria and Belgium.

Figure 2. Estimated level of evaded taxes in EU countries (in billion years) [1]

Aline Robert [16] claims that tax evasion deprives the EU of 20% of corporate taxes. Corporate tax rates fell by a historic amount in 2018, from an average of 49% to 24%, as a result of greater international competitiveness since free trade became popular in the 1980s. Economists debate the causes of this decline. According to economists, 40% of corporate profits are fictitiously transferred to tax havens, which runs counter to the theory of "perfect competition", which holds that economic

actors expand their activity in nations where investments are more advantageous for them because of a business-friendly global environment. This is accomplished through paper businesses, as demonstrated by Alphabet, the parent company of Google, which reported a €19.2 billion turnover in Bermuda in 2017 while having no operational presence there. This is because of the island's 0% business profits tax rate, not its allure [16].

Experts utilize the profitability of foreign firms as their primary criterion when examining current data; in non-tax haven nations, foreign companies exhibit lower profitability than domestic ones. Conversely, international businesses located in tax havens want to maximize their profits. The tax rates on corporate earnings in Ireland are irrational. On average, they make up 800% of the entire payroll, even though, by reasoning, they ought to make up 30 to 40% [26].

Studies show that in 2015, tax havens accounted for 40% of the profits made by multinational corporations. What is even more alarming is that this strategy mostly hurts developing nations and EU members, since Europe loses 20% of its business tax revenue [26]. Concerning the OECD's present attempts to stop corporate tax erosion, the results are concerning since they suggest that these efforts may be ineffective. The study's authors contend that economic sanctions against nations with low tax rates would be more successful than attempts to stop money transfers that distort data.

The amount to which businesses optimize their taxes affects global data for all OECD nations concerning GDP, corporate earnings, trade balances, and other related metrics is another outcome of this investigation. As a result, European enterprises' capital shares would be double what is shown in national accounts.

According to information from the Institute of Financial Policy of the Slovak Ministry of Finance, the estimated loss of VAT revenues reached the level of 2.3 billion Euros It follows from this information that the biggest tax evasions are in the Slovak Republic on value added tax. Value added tax belongs to the category of indirect taxes (consumption tax). Other indirect taxes are consumption taxes.

A characteristic feature of indirect taxes is that they are paid by the taxpayer, that is, they burden primarily the final consumer, as they form part of the realization price of taxable services.

Tables 1, 2, and 3 contain the assumption of tax evasion on VAT and other indirect taxes.

Table 1: Development of estimated VAT tax evasions as a result of shadow economy transactions (in millions of €)

Year	2018	2019	2020	2021	2022	2023
Collection of VAT	5 978,60	6 663,70	6 827,20	6 761,20	7 988,80	9 883,70
Interannual change		11,50%	2,50%	-1,00%	18,20%	23,70%
Presumption of leakage	657,65	933,58	932,6	923,58	1043,34	1290,81

Table 2: Development of estimated tax evasion of other indirect taxes as a result of transactions in the shadow economy (in millions of €)

Year	2018	2019	2020	2021	2022	2023
Collection of indirect tax	2 320,20	2 426,40	2 233,50	2 869,60	2 497,40	2 548,10
Interannual development		4,60%	-7,90%	28,50%	-13,00%	2,00%
Presumption of leakage	280,744	294,808	3129134	391,987	341,145	332,782

Table 3: Overview of the VAT tax gap in EU member states

EU member state	***% of the tax gap***
Sweden	2
Luxembourg	3
Finland	6
Slovenia	7
Belgium	8
Spain	9
Ireland	9
Estonia	9
Denmark	9
United Kingdom	10
Austria	10
Germany	11
Netherlands	11
Portugal	13
France	14
Czech Republic	15
Hungary	17
Bulgaria	19
Latvia	23
Poland	24
Italy	27
Greece	27
Slovakia	30
Malta	35
Lithuania	36
Romania	37

Based on the decision of the Commission of the European Parliament and the Council, the average percentage of the tax gap is set at the level of 17%. According to Table 3, it is clear that the tax gap has a much higher percentage in the states: Hungary, Bulgaria, Latvia, Poland, Italy, Greece, Slovakia, Malta, Lithuania, and Romania than the average for EU member states. In practice, this means that states with a higher percentage of the tax gap experience tax evasion in alarming amounts.

Evidently, one of the best ways to prevent the taxable base from shrinking and earnings from being exempt from taxes is to enact broad regulations against tax evasion.

General Anti-Avoidance Rules (GAAR) - measures aimed at preventing a taxpayer from committing actions whose purpose is to evade taxes - are a guideline for assessing the actions of taxpayers and identifying in them signs of abuse of law, such as obtaining a tax advantage that is contrary to the purpose and meaning of the applicable tax legislation, "artificial" motive when making a transaction to obtain tax preferences, the unusual nature of the taxpayer's transaction, contradiction to the economic content of the transaction. General rules against tax evasion are necessary, since detailed tax legislation is not always able to cope with "aggressive" tax planning, which is also based on gaps in the legislation and sometimes borders on tax evasion.

The literature identifies four main models of the concept of general rules against tax evasion [9]:

1) Rules based on the recalculation by tax authorities of the amount of the taxpayer's tax liability when identifying transactions aimed solely at obtaining tax benefits. For this model, the transactions performed by the taxpayer and the tax benefit received are important, but the economic meaning of the transactions is not taken into account;
2) Legislative consolidation of rules derived from judicial practice, which prescribe the interpretation and application of tax legislation to the economic substance of transactions, and not to their legal form. This model of general rules against tax evasion gives the tax authorities the right to recalculate the tax liability based on a transaction that more accurately reflects the intended economic meaning;
3) A judicial model of general rules against tax evasion, implying that courts apply a broad interpretation of the abuse of law doctrine;
4) Legislative consolidation of the doctrine of abuse of law, which is applied in cases where the taxpayer uses "artificial" structures or operations that formally comply with the law, but do not correspond to the goals of the tax legislation.

General rules against tax evasion are used [7]:

1) In cases where the taxpayer changes the form of the transaction (by artificially splitting it and fictitiously

creating a multi-stage process when performing a transaction that is simple in nature, using conduit companies, etc.) in order to use those that are more profitable for him from a tax point of view tax law norms;
2) In cases where the taxpayer changes the form of the transaction (concluding imaginary and feigned transactions) with a different economic essence of such transactions, after which he uses the rules of tax law that are more favorable for him from a tax point of view;
3) The taxpayer seeks to apply a literal interpretation of the rules of tax law, which does not correspond to the purpose of introducing these rules.

In the European Union, general rules against tax evasion were initially formed in the jurisprudence of the European Court of Justice.

In the Emsland Starke case, the European Court of Justice for the first time formulated the concept of abuse of Union law, which consisted of objective and subjective elements. An objective element is a set of objective circumstances indicating that the tax benefit received conflicts with the subject or purpose of the applicable tax legislation. The subjective element is the intention to obtain an advantage from the rules of the European Union by artificially creating conditions for obtaining such advantages. In the Halifax judgment, the ECJ applied the concept of abuse of discretion. The position expressed in the decision of the EU Court of Justice of September 12, 2006 in the Cadbury Schweppes case currently serves as the basis for distinguishing transactions that result in abuse of law and optimizing taxation [13]. The EU Court of Justice concluded that the application of UK controlled foreign company legislation is justified if it is a "wholly artificial arrangement", i.e. created solely for the purpose of obtaining a tax benefit and aimed at avoiding payment of tax in the territory of the state in which the parent company is registered. The norms of legislation on controlled foreign companies do not apply if it is proven that, in addition to the direct motive of obtaining a tax benefit, the subsidiary organization was actually established to carry out real economic activities in the territory of another state of the Union. Thus, the Court found that any restrictive measure to combat tax evasion must be proportional and is not applied if the transaction performed by the taxpayer is necessary for the implementation of his economic activity.

Proof of the absence of a "completely artificial structure" can be provided by three factors taken together: the degree of actual presence of the subsidiary in the territory of the state of incorporation, the actual meaning of the activities carried out by the subsidiary, the economic value of this activity for the parent company and for the entire group of companies [13]. From this court decision it follows that tax optimization is a legal action in the territory of the European Union. Anti-tax evasion measures established by the national legislation of member states of the European Union should target transactions aimed at the abuse of law.

In 2016, the Directive on the establishment of rules regarding tax evasion practices that directly affect the functioning of the internal market was adopted, which states that general rules against tax evasion are necessary to combat tax practices involving abuse of law, but not affected by special measures to combat tax evasion.

Thus, the purpose of general rules against tax evasion is to fill gaps, and their use should not affect the application of special rules against tax evasion. Within the European Union, general rules against tax evasion should be applied to "artificial" transactions. In all other cases, the taxpayer has the right to choose the most efficient structures for his commercial activities from a tax point of view. In addition, it is important to ensure uniform application of general rules against tax evasion within the state, within the European Union, as well as in relations with third countries, so that the scope and results of their application do not differ in domestic and cross-border relations.

The intention of Slovakia as well as the European Union states is to introduce a uniform methodology for the quantification of tax evasion and also methods that ensure the reduction of tax evasion.

The recommendations of the Commission of the European Parliament and the Council for the member states in the EU regarding the reduction of tax evasion are as follows:

1. Improving of cross-border cooperation between tax administrations in the EU. Truly effective cross-border cooperation between the tax administrations of the Member States can only be achieved in the case of mutual trust and solidarity between the Member States. Member States can only expect to reap the benefits of cooperation if they are willing to help each other. One of the tools is the introduction of the EUROFISC mechanism. Eurofisc is an office that is supposed to serve for a quick and multilateral exchange of information between tax administrations within the EU. With the help of the mentioned mechanism, the tax inspectors should have the required information immediately available, which helps to perform the tax inspection effectively.
2. Strengthening of the information systems of tax administrations, in order to provide information about tax entities that have committed violations of tax laws. According to the mentioned system, the European Commission envisages a more effective system for detecting tax evasion [23].

Coherent policy in relation to third countries – that is, to countries that are not member states of the European Union. For example, international cross-border deposit markets continue to be dominated by well-known financial centers with strict banking secrecy regulations and enjoying high publicity. The Cayman Islands and Switzerland alone, with total non-bank deposits of €1,352 billion, represent almost 20% of all such deposits worldwide. The European Commission expects a higher degree of cooperation with countries outside the EU. The introduction of the above-mentioned measures in all EU states would result in an increase in the effectiveness of the control activity of the financial administration. Effective financial literacy would help to eliminate gout leaks [24].

Since there is currently no widely agreed definition of the underground economy, it is challenging to evaluate and compare the outcomes from various nations. Furthermore, there are benefits and drawbacks to the methodologies employed to estimate the phenomena. There is no superior way among them all. It is advisable to employ many methods when evaluating the underground economy. It is reasonable to claim that there is still a lack of sufficient connection between theory and empirical estimation at this time. In this discipline, there are still several topics that require further investigation. First and foremost, in-depth studies on tax avoidance and evasion in emerging nations are required. knowledge that is generated using similar, shared academic standards in order to gather trustworthy cross-national statistics. Expanding international cooperation is the second area that requires more focus. This is critical since many instances of tax avoidance and evasion stem from cross-border operations. The third issue is the requirement for universally recognized standards for estimating tax evasion and avoidance. This suggests a commonly recognized definition of tax evasion, a list of the variables that influence it, and a reliable approach to estimating its scope that can produce similar statistics for the majority of the nations.

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Primary Paper Section: A

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