Institutions, Institutional change and tax evasion

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Abstract

**Purpose** – The purpose of this paper is to provide the outline of the theory of institutions and institutional change, and the way that institutions react on the economic growth of a society. Specifically, there is an attempt of connecting the concept of the tax evasion to the theory of institutions.

**Design/methodology/approach** – The approach of the literature review has been grouped into three issues: the theory of institutions and institutional change, the theory of taxation and tax evasion, a case study about the institutions and the influence of tax evasion in the Hellenic (Greek) economy.

**Findings** – The tax evasion is a result of a complex of political, financial and social factors and especially due to the incomplete application of the institutions and the incomplete institutionalization of tax measures.

**Research limitations/implications** – The present essay has limited to the theoretical analysis of institutions and the tax evasion, considering as appropriate the need for change in tax law term, in order to allow the leaders to fight against the “informal” institution of tax evasion.

**Originality/value** – This paper presents the way how tax evasion functions as an informal constraint, which affects negatively the proper functioning of the institutions and of the state in general, as well as, how tax evasion leads to become an institution in societies where corruption exists.

**Keywords** – Institutions, Institutional change, tax evasion, taxation, corruption, Shadow economy, Public economic.

**Paper type** - Literature review


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