Analysis of administrative barriers for SMEs in the field of tax compliance: a data mining approach

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Abstract: Legislation and tax authority conduct upon it play a very important role in determining overall business environment by defining the rules under which the enterprises have to operate. Nonetheless, the complexity of legislation creates also unnecessary administrative burdens and consequently hinders entrepreneurial activity. In the literature, it is particularly underlined that administrative barriers hinder the performance, productivity and growth of especially small and medium enterprises (SMEs), whereby the most of them consider tax-related matters as the most burdensome field that affects them. Accordingly, the main aim of this paper is to examine the direct and indirect effects of tax policy and their implications for SMEs’ performance. The paper therefore takes advantages of the unique database of Slovenian SMEs. The empirical results of the multiple linear regression on a sample of 120 SMEs show that taxation and tax-related administrative barriers have a negative impact on SMEs’ performance, whereby the latter is more harmful for SMEs’ business operations than taxes. The findings are beneficial especially for policymakers, which should ensure a stable and predictable tax legislative environment for SMEs and provide simplified methods for taxation. The empirical analysis was performed in an open-source data mining software Orange.

Key words: Tax policy, Administrative barriers, SMEs, European Union, Slovenia, Data mining

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