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By NK>ANP DAJ JAHU + I KJAUS =P?D + July 10, 2015, 3:04 PM

What Greece's Tsipras needs: A good tax collector

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The Greek debt standoff between Prime Minister Alexis Tsipras and the rest of the eurozone is eclipsing what may be the Greek leader's most vexing political challenge: getting his citizens to declare their real income and pay the taxes they owe on it.

As in so much of the world, cash is king in Greece, and as a consequence tax authorities have to count on the honor system. And if a recent academic study is right, it's Greece's most prominent citizens who are stiffing the tax man and helping undermine their own country's economic viability.

"For every dollar that is reported, 80 cents is not," said Adair Morse, a professor with the University of Chicago's Booth School of Business. Morse was one of the authors of a breakthrough study released earlier this year. The report -- "[Tax Evasion Across Industries: Soft Credit Evidence from Greece](#)" -- documented that tax evasion was most prevalent in the ranks of Greece's highly educated professionals like doctors, lawyers, engineers, accountants and even journalists.



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"Even though, as a Greek, I was aware of the pervasive nature of tax evasion in my country, I was surprised by the estimated magnitude of the phenomenon," said Nikolaos Artavanis, a study co-author and professor at the University of Massachusetts's Isenberg School of Management.

"Also, it was striking the fact that top-evading industries were shown to be highly educated professionals with high social status as doctors, lawyers and engineers," Artavanis added. "This was in contrast to the prior perception in Greece

that the large tax evaders were low-income self-employed professionals (i.e. plumbers)."

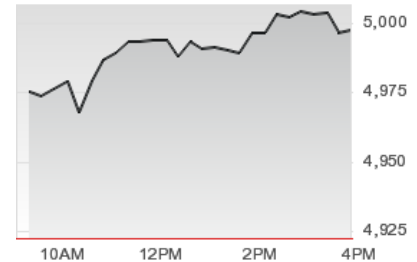
The study estimated that in 2009 alone, 28 billion euros of income went untaxed, which would have produced a tax revenue yield equivalent to 32 percent of Greece's deficit.

The researchers achieved their breakthrough analysis by getting one of Greece's largest national banks to open its books to them. In reviewing the bank's loan and mortgage applications from 2003 through 2009, they discovered the bank's loan officers were actually including the applicants' off-the-books cash flow for the purpose of extending credit.

Extending "an entitlement to informal income provides a property right" that gave borrowers the ability to further leverage their undeclared income, said the

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study. The practice also ensured that lending officers would advance professionally because their performance was measured on the volume of loans they generated.

Put perhaps most vexing for Prime Minister Tsipras was the scholars' findings about how hard it was to get meaningful tax reform through the Greek parliament, noting how such measures had failed to pass. "We find that the industries represented in parliament are those that evade taxes, even when we exclude layers, half of the non-lawyer parliamentarians are in the top four tax-evading industries," the report concluded.

In **Tsipras's latest proposal to European officials**, he calls for the creation of an autonomous revenue agency, a major crackdown on tax evasion, across-the-board tax hikes and the end of popular subsidies for the powerful Greek maritime industry.

Tsipras is also calling for increased cooperation between Greece's tax authorities and other European countries like Switzerland and Luxembourg that have been active as so called off-shore sanctuaries for foreign depositors. Specifically, Tsipras wants other "EU member states to provide data on asset ownership and acquisitions by Greek citizens."

"Without a good tax collection system, they will not be able to pay off the new debt," said Michael Hadjiloucas, with the New Jersey-based Greek American Chamber of Commerce.

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Pull out now, depose the current govt.

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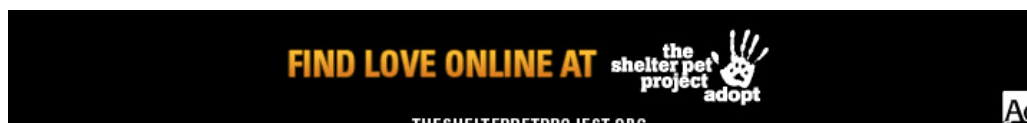
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