Review

The tax amnesty program as tool to adjust the shadow economy; the International Experiences

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Given some successful international experiences in the use of tax amnesty programs to adjust the shadow economy, such as Ireland, Belgium, and Italy, this paper examines the subject of tax amnesty as one of the tax approaches to adjust the shadow economy and fight against tax evasion, increase revenue taxes of the state in the short term, and expand the tax base in the long term.

Keywords:Tax Amnesty, Shadow Economy, Tax Evasion, Tax Punishments, International Experiences.
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INTRODUCTION.

In many countries facing different progress and tardiness levels and different economic, social, financial, and tax systems, the phenomenon of deviation of some activities from the official circle of public authorities towards the channels is hidden, where those not subject to public organizations and labor laws do not declare their assets to the tax authorities, and this phenomenon is known as the "shadow economy." Despite the diversity of concepts and synonyms for this phenomenon, such as "the not observed economy," "the secret economy," "the parallel economy," and "the black economy," the results of this phenomenon have a negative impact on economic growth rates and tax returns for the state, including the activities practiced in the "shadow economy," which are invisible and unknown to the public authorities and are not included in the calculation of GDP, which is the index to measure the economic performance of the state.

In order to reduce the size of this phenomenon, the governments of countries have adopted a number of measures to confront this phenomenon, which depends on several methods such as process control, spreading awareness, penalties, and providing incentives to transform from the shadow economy into the formal economy.

However, these methods may not be sufficient to control this phenomenon and fight against tax evasion, which is considered the birth of this phenomenon, and so governments can resort to other measures that may be more effective in the fight against tax evasion and adjust the shadow economy and the collection of the previous uncollected taxes by applying the so-called tax amnesty programs.

So, the tax amnesty is a governmental program to enable citizens to voluntarily pay their taxes, slackening their previous exposure penalty. A quick glance at the financial history of governments all over the world notes that most governments introduced tax amnesty programs to fight against tax evasion, adjust the shadow economy, increase tax revenues in the short term, and expand the tax base in the long term. The experiences of those who were able to convert from which countries to integrate secret activities in the formal economy and attract wealth from abroad, such as the Belgian, Italian, and Irish experiences, are noteworthy. Based on the foregoing, the following question may be posed: How can we use the tax amnesty program to adjust the shadow economy?

What is the phenomenon of the shadow economy?
And this question falls under the following sub-question
What are the causes of the shadow economy and what are the methods to measure it? What is the tax amnesty and what are the objectives and terms of its effectiveness to adjust the shadow economy.

What are the most important international experiences successful in the use of tax amnesty to adjust the shadow economy and the fight against tax evasion?

Some Theoretical Means about the Shadow Economy.

Defining the Shadow Economy and Its Problems :

Most authors trying to measure the shadow economy still face the difficulty of a precise definition of the shadow economy Friedrich Schneider, 2012, p.04. According to one commonly used definition it comprises all currently unregistered economic activities that contribute to the officially calculated Gross National Product (GNP). **Sukanta Sarkar** defines it as: economic activity that is neither taxed nor monitored by a government, contrasted with a formal economy. Also The shadow economy is thus not included in that government's Gross National Product (GNP). Furthermore shadow economic activity is a dynamic process which includes many aspects of economic and social theory including exchange, regulation, and enforcement ''(Sukanta Sarkar, 2010, p.124).

Smith defines it as: market-based production of goods and services, whether legal or illegal that escapes detection in the official estimates of GDP.''(Friedrich Schneider, Roberto Dell'Anno, p.04.). Cowell defines the shadow economy as economic activities which are not registered, reported, taxed or regulated but which produce for legal markets has been mainly explained, on the basis of standard economic arguments, as engendered by excessive taxation and regulations (Sheikh Touhidul Haque, 2013, p.02.).

The shadow economy includes all market-based legal production of goods and services that are deliberately concealed from public authorities for the following reasons (Friedrich Schneider, 2012, p.06):

To avoid payment of income, value added or other taxes;

To avoid payment of social security contributions;

To avoid having to meet certain legal labor market standards, such as minimum wages, maximum working hours, safety standards, etc.

To avoid complying with certain administrative obligations, such as completing statistical questionnaires or other administrative forms.

Rise in the shadow economy creates problems for the policy-makers to formulate economic policies, especially the monetary and fiscal policies. An shadow economy imposes a burden on the economy, and results in tax distortions and the erroneous measurement of macroeconomic variables. Government policies based on these macroeconomic variables are then less likely to succeed. In particular, the share of tax revenues, or even nominal tax rates, exhibit ambiguous relationships with the proportion of shadow economy in GDP. By contrast, the stage of economic development, as measured by per-capita GDP has been shown to stand in a robust and negative relationship with the underground proportion of GDP(Sheikh Touhidul Haque, 2013, p.02.).

In other wise Shadow economy is an important concern of governments since it brings many problems with it. Firstly, governments want to build a legal framework consisting of specialized institutions to regulate and control economic activities but when shadow economy is in action these institutions are skipped over and this causes that economic relationships deteriorate and governments may be late in taking preventive actions. In such situations, investors are reluctant to expand their businesses and also consumers may be afraid of deceiving and not protecting their rights. Secondly, a greater shadow economy means fewer taxpayers are disclosing their income or they are disclosing a smaller part of their true income. In that case, governments raise tax rates to gather certain amount of tax revenues. Therefore, governments seek policies to reduce shadow economy but to be able to do that; the determinants of shadow economy must be understood well (Huseyin Kara, 2014, pp.24-25.).

The Causes of the Shadow Economy.

Understanding the determinants of shadow economy is very important for both measuring it and fighting against it. At first, if there is shadow economy, it means economic units in this economy are evading taxes and their tax compliance is low. Allingham and Sandmo (1972) claimed income tax evasion is all about its benefits and costs. Benefit from tax evasion is simply the tax rate and the costs are about deterrence measures that are probability of detection and penalties when evaders are caught. The authors did not take other potential factors into account like tax morale of individuals and other costs of deterrence measures like shame and damage on reputation. Loayza (1996) studied shadow economy in Latin American countries and he found three main causes of shadow economy, which are tax burden, labor market restrictions and strength, and efficiency of institutions. Also Kanniainen (2004) studied some other factors like accessibility of public goods, tax morale and labor supply decisions and he found these factors also have significant effects on shadow economy. Therefore, the main causes of shadow economy are related to level of taxes, tax morale, deterrence measures, and intensity of regulations, institutional quality and public

Table 1: Main Causes of the Increase of the Shadow Economy.

Factors influencing the shadow economy	Influence on the shadow economy (in %)	
	(a)	(b)
(1) Increase of the Tax and Social Security Contribution Burdens	35-38	45-52
(2) Quality of State Institutions	10-12	12-17
(3) Transfers	5-7	7-9
(4) Specific Labor Market Regulations	7-9	7-9
(5) Public Sector Services	5-7	7-9
(6) Tax Morale	22-25	----
Influence of all Factors	84-98	78-96
(a) Average values of 12 studies.		
(b) Average values of empirical results of 22 studies.		

Source: Friedrich Schneider, 2012, p.15.

services (Huseyin Kara, 2014, p.25.).

The most important determinant of the increase of the shadow economy is the rise in tax and social security burdens; Frey and Pommerehne (1984); Feige (1989); Pozo (1996) and Johnson, Kaufmann, and Zoido-Lobatón (1998)]. The common theme is that high taxes (both marginal and total) have a negative impact on the decision of economic agents on whether to operate officially. Schneider and Enste (2000) state that bigger the difference between the total cost of labor in the official economy and after tax earnings (from work), greater the incentive to avoid this difference and work in the shadow economy (Sheikh Touhidul Haque, 2013, p.03.).

Johnson, Kaufmann, and Shleifer (1997); Johnson, Kaufmann, and Zoido-Lobat_on (1998) and Friedman et al. (1999) believe that institutional aspects are more important than taxes in promoting shadow economies. In cross country studies that include less-developed, transition, and OECD countries, Johnson et al. (1998) and Friedman et al. (1999) find that the key determinant of shadow activity is the extent of regulatory discretion. When regulations are lax and rule of law is weak, bureaucrats make decisions on individual cases without supervision. This creates corruption, which causes firms to become unofficial (Sheikh Touhidul Haque, 2013, p.03.).

An increase of the shadow economy can lead to reduced state revenues which in turn reduce the quality and quantity of publicly provided goods and services. Ultimately, this can lead to an increase in the tax rates for firms and individuals in the official sector, quite often combined with a deterioration in the quality of the public goods (such as the public infrastructure) and of the administration, with the consequence of even stronger incentives to Participate in the shadow.

Economy (Friedrich Schneider, Andreas Buehn, 2009, p.07.**)**.

In addition to the incentives effects discussed before, the efficiency of the public sector has an indirect effect on the size of the shadow economy because it affects tax morale. As Feld and Frey (2007) argue, tax compliance is driven by a psychological tax contract that entails rights and obligations from taxpayers and citizens on the one hand, but also from the state and its tax authorities on the other hand. Taxpayers are more heavily inclined to pay their taxes honestly if they get valuable public services in exchange. However, taxpayers are honest even in cases when the benefit principle of taxation does not hold, i.e. for redistributive policies, if the political decisions underlying such policies follow fair procedures. Finally, the treatment of taxpayers by the tax authority plays a role. If taxpayers are treated like partners in a (tax) contract instead of subordinates in a hierarchical relationship, taxpayers will stick to their obligations of the psychological tax contract more easily. In addition to the empirical evidence on these arguments reported by Feld and Frey (2007), and by Kirchler (2007) present a comprehensive discussion of the influence of such factors on tax compliance (Friedrich Schneider, 2012, p.14.)

The following table clairly the main causes of the shadow economy.

Measuring Shadow Economy

There are mainly three methods, which are direct approaches, indirect approaches and MIMIC (Multiple causes and Multiple Indicators) approach (Huseyin Kara, 2014, pp.27-30):

Direct Approaches

Direct approaches are mostly based on surveys, questionnaires, interviews and tax auditing of individuals or firms and then results are used to construct shadow economy estimates. These approaches have some drawbacks. One is that reliability of results depends on willingness of respondents to collaborate and it is highly probable to underestimate shadow economy since people do not declare everything that they want to conceal from authorities in the surveys or interviews. Another is that the method gives point estimate in a specific time so it is difficult to create time varying estimates. Also structure of surveys and questionnaires is important in success of these approaches. Since people do not confess their hidden activities, this approach gives a lower bound of shadow economy size.

Indirect Approaches

Indirect approaches are based on relations between macroeconomic variables. Estimates can be obtained from 3-2-1) GDP approach, 3-2-2) Employment approach, 3-2-3) Transactions approach and 3-2-4) Currency demand approach.

GDP Approach

This approach is based on the difference between national income and national expenditures. In national accounting, GDP calculation is made by three methods and these methods give the same result. Income and expenditure methods are two of them. Shadow economy has lowest contribution to income method but it has a greater contribution to expenditure method so the difference between them could be seem as an indicator of shadow economy. If the income obtained by shadow economy is not spent in domestic markets, then the reliability of the method gets lower and this is the main drawback of the method.

Employment Approach

Assuming total labour force is constant, decline in participation of labor force can be seen as participating in shadow economy in this method. This method neglects workers working at both official and shadow economy. Also, it neglects the other reasons changing participation rate.

Transaction Approach

The approach assumes a constant relation between

Transactions in an economy and GDP of this country. That is why; the method incorporates Fisher's quantity equation under some assumptions about the velocity of money, the value of transactions and total nominal GDP ($M*V=p*T$). After finding total nominal GDP, it is simple to find shadow economy by subtracting official GDP from total nominal GDP. However, to derive the estimations, a base year must be chosen with no shadow economy to calculate constant relation between transactions and GDP. Base year choice is a weakness of the method and also, data

on transactions must be accurate and reliable to get good results but it is very difficult to record and get such data.

Currency Demand Approach

The approach assumes shadow economy activities must be undertaken in the form of cash to stay off the records and not to leave a trace to the authorities so an increase in the shadow economy leads to increase in currency demand. The method also assumes the velocity of legal money is equal to the velocity of illegal money. The other assumption is that main cause of shadow economy is tax burden. By including other potential variables affecting currency demand such as interest rate and income per capita, Tanzi developed an econometric model given below in 1983.

$$\ln(C/M2)_t = \beta_0 + \beta_1 * \ln(1+TW)_t + \beta_2 * \ln(WS/Y)_t + \beta_3 * \ln R_t + \beta_4 * \ln(Y/N)_t + \mu_t \text{ (Eq.1)}$$

In the model, 'ln' represents natural logarithm,

$C/M2$ is the ratio of currency in circulation to broad money supply,

TW is the weighted average tax rate,

WS/Y is the ratio of wages and salaries to national income,

R is the interest rate paid to saving deposits,

Y/N is the income per capita,

After estimating coefficients, currency in circulation is calculated by imposing zero tax rates. The difference between estimated Currency in circulation amounts with and without tax rate is accepted as currency in circulation stemming from shadow economy. By multiplying this difference with the velocity of illegal money size of the shadow economy can be obtained. One drawback of the method is it accepts tax burden as only cause of shadow economy but there are some other factors too. Second is about the velocity of illegal money and some academicians state that the velocity of money in official economy is already hard to find so the velocity of money in hidden economy is much more difficult to find.

After estimation of currency-money supply ratio, the calculation is made without tax burden meaning tax burden is set equal to zero and the difference between them is an indicator of currency demand to finance underground activities. At the same time, this difference shows the magnitude of tax evasion and it is called as
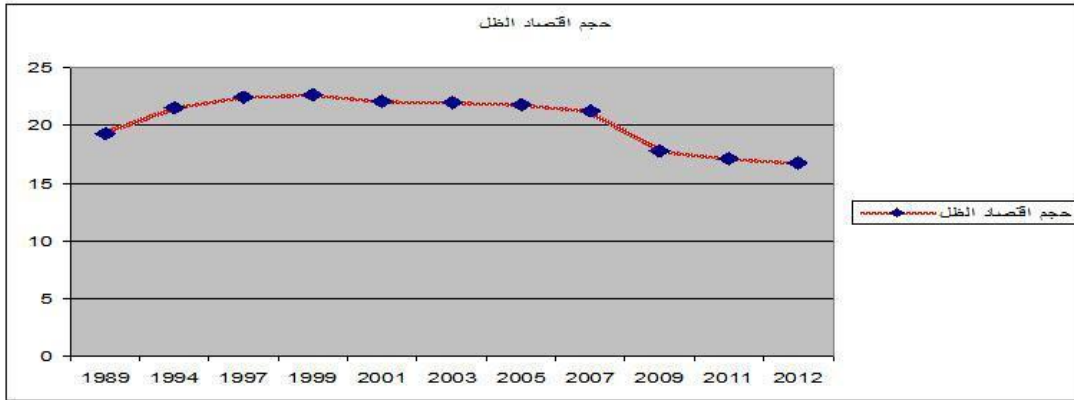
Figure 1:the size of shadow economic development in Belgium(GDP%)during(1989-2012)
Source:made by researcher based to: Friedrich Schneider, Colin C. Williams, 2013, p54.
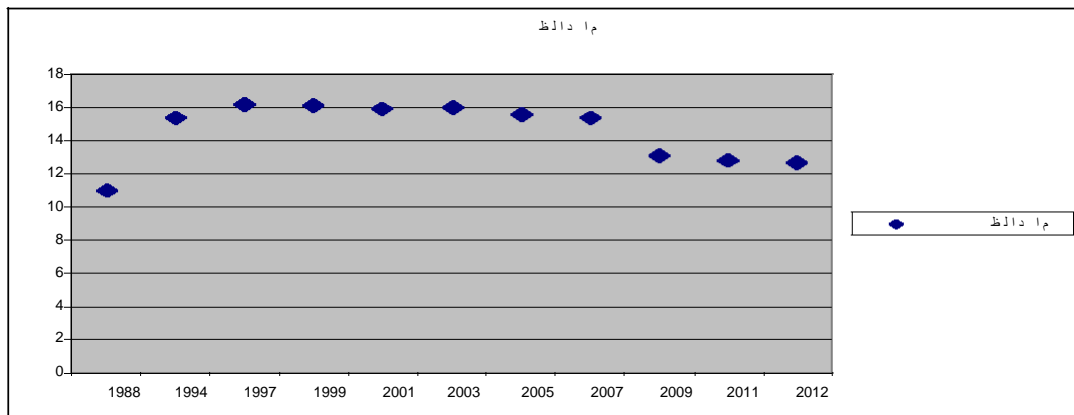

Figure 2:the size of shadow economy development in Irish(GDP%)during (1988-2012).
Source:made by researcher based to: Friedrich Schneider, Colin C. Williams, 2013, p54.

Illegal money in literature. Thus, legal money can be obtained by subtracting illegal money from money supply.
Illegal Money= CC with tax burden - CC without tax burden (*EQ.2*)
Legal Money= M1 – Illegal Money (*EQ.3*)
Because it is assumed that velocity of legal money is equal to illegal money, the velocity illegal money can be calculated as follows.
Velocity of Legal Money= GDP current prices/ legal money supply (*EQ.4*)
After obtaining velocity of illegal money, shadow economy in current prices could be calculated by multiplying velocity and illegal money supply. Shadow Economy= Velocity * Illegal Money (*EQ.5*).

MIMIC Approaches

The MIMIC approaches assumes that the shadow economy remains an unobserved phenomenon (a latent variable) which can be estimated using quantitatively measurable causes of shadow economic activity as well

as indicators of illicit activity. The causes will include variables such as the tax burden and the intensity of regulation and the indicators will include variables such as the demand for currency, official national income figures and official working hours data. The econometric models are complex and have to deal with a range of well-known challenges such as endogeneity problems. For example, the size of the tax burden might 'cause' an increase in the size of the shadow economy. At the same time, an increase in the size of the shadow economy might make it more difficult for the government to raise taxes so it responds by raising tax rates and therefore the tax burden on the level of official national income (Friedrich Schneider, Colin C. Williams, 2013, p.28.).

The Tax Amnesty Program Concept.

Tax evasion is an ongoing problem of governments, which embraces various determinants. For healthier collection of taxes, governments seek for old fashioned methods without understanding these determinants.
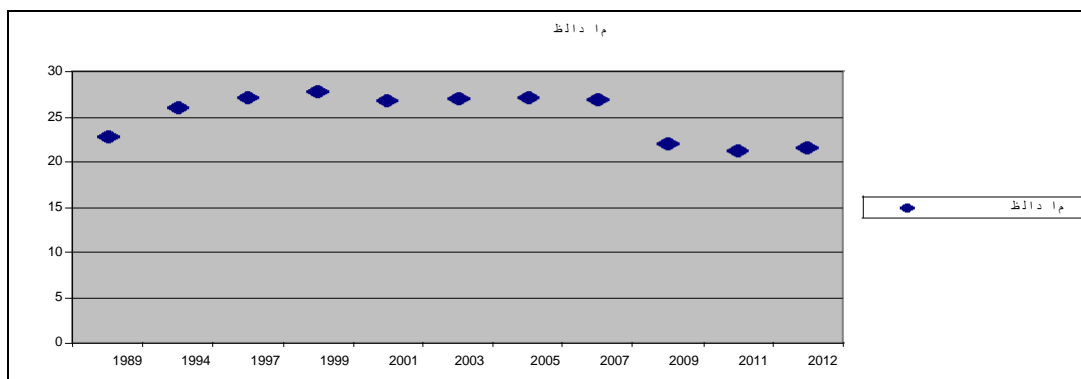
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Figure 3:the size of shadow economy development in Italy(GDP%)during (1989-2012).
Source:made by researcher based to: Friedrich Schneider, Colin C. Williams, 2013, p54.

Tendency to evade taxes may overwhelm tendency for regular payments for some citizens and corporations. The extent of this tendency for evasion depends on several aspects including enforcements, inspections, awareness, morale and penalties that the country will implement. Unfortunately, it may be insufficient to hinder the evasion even if the combinations of these aspects are on their most efficient conditions. Hence, governments may apply a widespread practice so as to prevent the magnitude of evasion, to save uncollected past payments and to decrease the size of hidden economy as much as possible. This common practice is called as tax amnesty.

Determinants of Tax Amnesty Programm Concept.

There are many definitions provided for tax amnesty, there is defined the tax amnesty from a legal overview and other is defined from an economic overview.

The Legal Definition from Tax Amnesty

The tax amnesty defines as: General measure which grants to all the defendants of the same class of crimes and offenses both to stop the follow-up to the conviction of their right. This definition complements the specified definition in a dictionary Larousse which is defines the tax amnesty as a: "an work of works the legislature authority, which aims to delete a offense criminal and thus to prevent or stop prosecutions or clear condemnation (Florian Chatagny, 2006, p.17).

The Definition of the Economic Literature of Tax Amnesty

The tax amnesty defines as:
Set of procedures that aim to erase the tax delays and irregularities, which thus includes the induction of

taxpayers to the voluntary adhere in tax system without previous exposure to put them in return, and is usually used the tax amnesty as a tool indirectly to fight again tax evasion and adjust the shadow economy (Andre Barilari, Robert Drape, 1992, p.10).

In recently the economist Andreoni submite definition of tax amnesty, which he defined as: "a set of government measures for amnesty for all or part of the outstanding punishments on taxpayers if they voluntary declare the value of the undeclared incomes and invested in the shadow economy (Florian Chatagny, 2006, p.17.).

Das Gupta, Mokherjee offers the new definition and more precise to the tax amnesty, where defines tax amnesty as : "a typical allow for individuals or companies to pay previous taxes without being subject to all or part of the financial and criminal punishments imposed on them, in order to limit tax evasion practices(Florian Chatagny, 2006, p.17.).

As for Hurling tax amnesty is defined as "refers to the existence of programs that provide a unique opportunity for taxpayers to pay taxes without being subject to punishments and interest payment.

General Definition of Tax Amnesty

Tax amnesty is: "those general measures of the legislature or the executive or administrative authority designed to crime in tax matters, and thus to prevent or stop the prosecution by tax administration for taxpayers against the declaration of their assets (Hari Sharan Luitel, 2005, p.43.)." It is during the previous definitions of tax amnesty include the following elements(Hari Sharan Luitel, 2005, p.43):
The short term tax amnesty usually, generally ranging this period from two months (02) to three (03) months.
Participation in tax amnesty be on a voluntary
basis. The tax amnesty requires the abolution of tax fines and punishments and tax reduction in some cases.

6

The Different Classifications for Tax Amnesty.

In this part we analyze the main issues of tax amnesty concepts important based on classification to duration and type of the benefit that taxpayer receives.

Duration Criterion

One-Short Amnesty

during such amnesty taxpayer are given a pre-determined period of time to legalize their past incomes (typically from two months to a year). it is expected that this offer will not be repeated in the future. The amnesty may be given at existing or reduced rates and civil or criminal penalties might be waived or reduced (institute for economic research and policy concelting in Ukraine, 2003, p.02.).

Intermittent amnesty

Amnesties are declared every few years. It has been a common practice in some counties to enact multiple amnesties, even though each one separately is advertised as a one-time – only grace period. For example, India has offered six amnesties since late 1970s. Multiple amnesties were enacted in Argentina, Belgium and the Philippines. The amnesty may be given at existing or reduced tax rates. However, intermittent amnesty is recognized to be the worst kind of a tax amnesty, because it raises permanent expectations concerning amnesties and reduces tax compliance.

Permanent Amnesty

under such amnesty the possibility to legalize past incomes exists all the time, under normal, non – reduced tax rates. Except for taxes, taxpayers may be obliged to pay modest interest rates or fines. Criminal immunity is usually granted to tax evaders, who voluntarily paid their delinquent taxes. This amnesty actually represents the postponement of the deadline for the submission of the tax return. The USA. Germany, Canada, the Netherlands, Norway, Italy, new Zealand, Switzerland and Sweden have features of permanent amnesties in the tax systems (institute for economic research and policy concelting in Ukraine, 2003, p.02).

Type of Benefit to Taxpayer

Return amnesty:

under such amnesty taxpayer are offered the possibility

to revise their tax returns with reduced a penalty. Such amnesty enables taxpayers to correct their income returns and pay the missing taxes. Taxpayers accepting the amnesty are not immune from the investigation and auditing activities of the tax administration.

Investigation amnesty

such amnesty grants taxpayers with exemption from investigating the real Amount and the origin of declared incomes, sometimes through paying a special amnesty fee. This type has been widely used in Italy(five amnesties between 1973 and 1995) , the Philippines(seven amnesty between 1973 and 1986s) , Columbia(1987s) and argentina(four amnesties between 1970s and 1984s).(institute for economic research and policy concelting in Ukraine, 2003, p.03)

The Objectives of Tax Amnesty Program

The question of achieving the objectives sought by the state through the tax amnesty can be seen to respond to simple guess, which is the fight against tax evasion, but this goal is not the only goal of the tax amnesty, there are other objectives, and these objectives are:

Adjust the shadow economy

The goal of the state is seeking to him as a result of the issuance of the tax amnesty is reinvesting the capital invested in the shadow economy and re-invested in the formal economy, in addition to restoration the capital invested outside the country and re-invested within the country, which leads to increase the size of local investments as well as state revenue and increase economic growth rates (Didier Rynders, 2003). The tax amnesty can be effective in achieving this goal if the capital return on in the informal economy is largest of the yield investigator in light of the shadow economy, which is working to attract the investors who have invested their money in the shadow economy to be re-invested in the informal economy, where investors can declare their assets to take advantage of a great performance in the informal economy, which leads to increased growth rates (Florian Chatagny, 2006, p.30).

Increase tax revenue for the state

The main objective of the tax amnesty which referred by all economists is the government's willingness to increase tax revenue in the short term specifically. The economist Hirling say in this regard that the aim of the tax amnesty is revenue collection which still outside the scope of the

Tax system. In the long term, the tax amnesty allows increase tax revenues in the future by allowing horizontal expansion of the tax system. In addition to better control in the future on the taxpayers (Florian Chatagny 2006, p29).

International Experiences

Belgium Experience

With an objective to attract flight capital and black market funds to bring back into the regular economy, Belgium enacted a tax amnesty in 1984. The amnesty exempted such capital from taxes if the capital was invested in employment-generating activities before the end of 1984. The amnesty also waived from any obligation to report the origin of the funds, provided that one-eleventh, or 9 percent, of the amount in question had to be invested in five-year non-interest-bearing treasury certificates. However, the then government faced a number of political problems in 1985, and was compelled to rescind the amnesty legislation.(Hari Sharan Luitel, 2005, p.53.).

Tax amnesty (2004). Since the arrival of the government coalition between the Socialists and the Liberals in May 2003 the idea came of the issuing of amnesty in order to support growth through restoration of capital and invested in the informal economy, and was declared the amnesty goal is the creation of 200,000 jobs and the prospect of collecting additional revenue to finance the operating policies, this amnesty called –

Déclaration Libératoire Unique (DLU)

The Finance Minister Didier Reynders issued a project law provides the following: "Can Belgian citizens who have capital invested abroad or in the shadows before the June 2003 declaration and return its without exposure to penalties.

DLU has officially entered into force on 16 January 2004 and ends on 31December. Originally, the government expects additional tax revenues are estimated at 850 million euros, equivalent to 0.05% of GDP, and in the end it was collected 496.2 million euros of additional income and 5.7 billion euros headings funds have been settled after conversion of the shadow economy into the formal economy in Belgium, although the results were less than expected and represented 0.63% of total tax revenue (Point De Vue De Bruno Colma, 2003).

Irish Experience

The economic literature offers on tax amnesty period during the eighties, the Irish experience of 1988 as an

Example of successful tax amnesty program, In January 1988 the Irish government introduced an tax amnesty program for 10 months for taxpayers to pay taxes unpaid without exposure to penalties and without having to pay fines, in equivalent, the government has developed a series of measures aimed at supporting the administration's ability to detect cases of fraud, and increased the number of observers in charge of collecting taxes. At the end of the amnesty period (10 months), the government increased fines and penalties owed taxes on undeclared and given wider permissions to tax inspectors and giving them the right to reserve assets and also the right to freeze bank accounts belonging to the taxpayers who have been convicted tax evasion(Alm, J.1998, p06).

The results of this amnesty was more than expected, while the government expects tax revenue growth to US $ 50 million tax amnesty allowed in 1988 to collect $ 750 million in additional revenue tax as a result of the transformation of the shadow economy into the formal economy, which represents 2.55% of GNP of 1988, which allowed the government to reduce the debt service of 10% of the GNP for the year 1987 to 3.4% of GNP for the year 1988, as the Irish tax amnesty allowed to expand the tax base on long-term(Florian Chatagny,2006, p.48.).

There are several factors that helped in the performance of this amnesty, the main factor is that it is not any Irish government before the 1988 enactment of tax amnesty, he took many of the citizens to take advantage of this amnesty as a unique opportunity, as regulatory measures also played a key role in the success of the tax amnesty Irish. However, according to Uchitelle the success of tax amnesty in Ireland could have been greater if accompanied by an amnesty the government to reduce tax rates, which were among the highest on the European level in that period, and they represent a major cause of tax evasion in Ireland. The Irish government has after five (05) years to enact tax amnesty (1993), but that success was less than a success in 1988, and this confirms the argument "that the multiple use of the tax amnesty leads to less than the taxpayer's contribution to any tax amnesty in future, which reduces the efficiency of the tax amnesty (Uchitelle, 1989, p.50.).

Italy Experience (2002) Tax Shield

In order to implement the tax reduction program without violating fiscal rules imposed by the European Union, and put government Berluscouni general tax amnesty law which entered into force in September 2001 until 25 May 2002, and this was the goal of the amnesty return the capitals existing (invested) overseas into Italy, as well as declaration of activities undeclared to tax authorities in Italy. The individuals and companies with the most important the beneficiaries of this amnesty in exchange

for statement warheads undeclared funds, should invest 12% of the declared capital for a period of not less than 10 years.

If this procedure allows the collection of additional revenue is estimated at 1.47 billion euros, equivalent to 0.1% of the GDP between September 2001 and May 2002, it was the settlement amounted to 58.8 billion euros of capital invested in the shadow economy and abroad, which represents 4.7% of GDP in Italy. And an estimated asset of undeclared transacted in the shadow economy or out of Italy's with 560 billion euros and represents a value that has been settled as a result of the tax amnesty equivalent of 11% of the undeclared assets or that invest abroad (Florian Chatagny, 2006, p.54.).

CONCLUSION AND MAIN RESULTS

The phenomenon of the shadow economy is considered of the most important issues of concern to policy makers in all countries of the world, whether developed or developing, given its negative effects on economic growth and tax income level, and its considered a haven for tax evasion, so governments seeking various procedures developed to tide the phenomenon, and is considered the tax amnesty program one of these tax measures might be most effective if the conditions necessary for its success. The tax amnesty program success requires the following measures.

It is necessary to improve the efficiency of tax administration.

There must be effective and credible government even motivates individuals to participate in the amnesty program.

It must be economic reforms to increase the return on investment in the formal sector, which lead to improved results in terms of tax amnesty return of capital, in particular reform tax laws.

The application of the lower tax rate can have a positive impact on the effectiveness of the tax amnesty.

Educate taxpayers on their responsibilities and its encourage them to settle their debts.

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