

CARDS

Country
Albania

Implementation period
2002-2007

Funding
€ 3 million

Results
IT strategy for taxation developed with tax software and computerisation of tax systems

Coordinator
Mr. Anastasios Michalakopoulos
Adviser To General Directorate of Taxes
General Directorate Taxes
Tirana, Albania

Contact person
Mr. Anastasios Michalakopoulos
IT & telecommunications expert
Tel : (+355 4) 244873
Fax: (+355 4) 244875
E-Mail:
Anastasios.Michalakopoulos@octas.com

Partner
International Monetary Fund

Putting IT into the tax system

Fighting fiscal fraud

Historically, the tax collection system in Albania has been poorly organised and unevenly applied. As a result, tax evasion and tax avoidance are commonplace. This places a considerable drain on the states' resources and results in reduced revenue for the state budget. The strengthening of the tax administration would contribute to increased revenue collection, with a subsequent positive impact on Albanian economic sustainability.

Several initiatives are now ongoing in the country that target improved fiscal management. One of them, with €3 million funding from the EU, is focusing on modernising and consolidating the taxation system through increased use of information technology in the collection process.

Computerising the VAT system

Coordinated by the General Directorate of Taxes in Tirana, the new systems and procedures being introduced in the Directorate are also being extended, wherever possible, to Albania's district tax offices (which themselves are due to be renovated with financial support from the EU under another project).

During the initial phase of the project, an evaluation of the current VAT system was carried out by the International Monetary Fund. Its findings have been used in the subsequent development of a VAT computerisation strategy for the country's tax offices. Similar evaluations have also been carried out by the project to assess where there is a real need for automation and development of IT in the direct taxation system.

Improved computerisation in VAT, and the introduction of computerised management of direct taxation, requires the development of specific software and applications. Experts are now focusing on these developments during the project's main phase. In the long term, computerisation of the tax system will improve administration services to tax payers, and simplify tax payment and compliance.

Training in new IT systems

Once the new IT systems have been rolled out, a training scheme will be conducted for staff according to their area of expertise i.e. VAT or direct tax. This two-tiered strategy to modernising Albania's tax system and the attendant reorganisation of the general day-to-day procedures of the General Directorate of Taxes look set to provide a firm foundation for consolidating the tax collection infrastructure.

Higher level of management and assurance

As the service to taxpayers improves and tax revenue rises through better management, the tax administration will gain credibility among the public and daily running costs of the administration should drop. The new integrated tax system will, if applied correctly, also ensure that tax fraud and evasion can be detected more readily, thereby cutting corruption.

The Albanian government has a vested interest in this ambitious modernisation process, as an accountable and efficiently run tax administration will bring greater foreign investment and fiscal cooperation with trading partner countries. Their continued commitment to the project will therefore be vital for the project's success.