

Standard Summary Project Fiche – IPA centralised programmes

Project 7: Support for the General Directorate of Tax of Albania

1. Basic information

1.1 CRIS Number: 2007/19353

1.2 Title: Support for the General Directorate of Tax of Albania

1.3 Sector: 03.16

1.4 Location: Albania

Implementing arrangements:

1.5 Contracting Authority (EC): Delegation of the European Commission, Tirana on behalf of the Government of Albania

1.6 Implementing Agency: The Delegation of the European Commission to Albania

1.7 Beneficiary: Ministry of Finance, General Directorate of Tax of Albania.

Project Manager: Mrs Gerta Picari, General Director, General Tax Directorate

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1.8 Overall cost: 2.5 million EUR

1.9 EU contribution: 100%

1.10 Final date for contracting: 3 years following the date of conclusion of the Financing Agreement.

1.11 Final date for execution of contracts: 2 years following the end date for contracting

1.12 Final date for disbursements: Disbursements will continue for up to one year after the end date for the execution of contracts

2. Overall Objective and Project Purpose

2.1 Overall Objective:

To assist the Government of Albania in strengthening the fiscal system in line with EU standards.

2.2 Project purpose:

The purpose of this project is to support the General Tax Directorate and its district offices to achieve the legislative, procedural, human resource and information technology goals as set out on its Strategic Plan covering the period 2007 – 2010.

2.3 Link with AP/NPAA / EP/ SAA:

The European Commission's Progress Report of November 2006 stated that some progress had been made in the area of taxation, and noted such positive changes as the reduction of waiting time for VAT repayments and the introduction of a risk analysis system VAT enforcement, amongst others. It also noted the reduction of corporate profit tax, the reduction of small business tax, and the increase of the tax collection rate. However, several areas needing further improvement were outlined – 'Overall, further alignment with the EU legislation and best practices is still needed. ... The high turnover of staff in the tax administration means accumulated know-how needs to be re-established. New laws limit employment guarantees to staff, making them more vulnerable to outside pressure'.

The European Partnership (EP) outlines as a short term priority the further approximation of legislation with the *acquis* and commitment to the principles of the Code of Conduct for Business Taxation, 'ensuring that new tax measures also conform to these principles, as well as complete the process of tax offices, whilst the medium term priorities to ensure the continued approximation of Albanian taxation legislation, and to fight corruption, and fiscal evasion', as well as improved transparency and the exchange of information with EU Member States in order to facilitate the enforcement of measures to prevent the avoidance or evasion of taxes.

The Stabilisation and Association Agreement (SAA) between the Government of Albania and the European Community was signed in July 2006. Articles 85 and 98 of the agreement aim to strengthen the additional reforms in the fiscal system and in the restructuring of the tax administration.

In response to the EP, and the SAA, the Government's National Plan for the Implementation of the SAA (NPISAA), as adopted in July 2006, identifies short and medium term general priorities and their resultant legislative and implementation activities.

The general priorities for the short term (2006-2008) are as follows:

- *Approximate taxation legislation further with the *acquis communautaire* and act in accordance with the Code of Ethics in taxing the businesses, thus guaranteeing that the new tax measures are pursuant to these principles.*
- *Complete the computerisation of tax offices.*

Whilst the medium term priorities (2006-2010) are outlined as:

- *Maintaining a continuous approximation of the Albanian tax legislation with the *acquis communautaire* and to increase the administrative capacities in the fight against corruption and fiscal evasion.*
- *Improving transparency and exchange of information with the Member States of the EU in order to facilitate the process of strengthening the measures that prevent tax evasion or sidestepping.*

Annex IV provides the full list of short and medium priorities, and legislative reforms foreseen in the NPISAA.

2.4 Link with MIPD:

Under section 2.2.3.3 'Programmes to be implemented', the multi-Annual Indicative Programming document (MIPD), states the following:

- Support to the customs and taxation reforms and capacity building to the Albanian customs and tax administrations.

2.5 Link with National Development Plan

The Albanian Government's National Strategy of Development and Integration takes a bottom-up approach, including the above-mentioned EU documents.

2.6 Link with Sectoral investment plans

Under the framework of the Government's Integrated Planning System (IPS), whose central aim is to match medium and annual budgeting to the policy framework, a Public Finance strategy has been drafted by the Ministry of Finance covering the period 2007-2013. The strategic aims of the strategy reverberates those of the EP and the NPISAA.

Furthermore, the GDT has prepared a Strategic Plan for the period 2007-2010.

3. Description of project

3.1 Background and justification:

Fiscal reform requires the creation of a solid state revenue system capable of financially supporting the many economic, financial and political demands of accession to the EU. Fiscal reform in Albania has evolved since it became a market economy. Three categories of tax currently exist; direct taxes (a profit tax, an income tax, a surtax and a gambling tax), indirect taxes (VAT, excise duties and a real estate tax), and other taxes (local taxes, customs duties, and social security and health contributions). Value added tax (VAT) was introduced in 1996, and its legal framework has been amended several times.

The Directorate General of Taxes is the only central taxation institution in the Republic of Albania which has the legal authority to propose drafting and amending tax legislation. It is responsible for the collection of most taxes and national tariffs. It comprises headquarters in Tirana and 36 local tax offices or branches in the districts as well as one large tax payers unit, and employs some 1500 staff. In 2006, the GDT formerly came under the responsibility of the Ministry of Finance.

In 2001, the EU commenced support to fiscal reform through the already operational Customs Assistance Mission to Albania (CAM-A). The support focused on the strengthening of an integrated tax system by extending the country's VAT system with other tax regimes, such as profit tax and social insurance contributions. It also supported the integration of excise into the tax system before proceeding to other taxes, such as gambling. The extension of the ITS to all tax offices and the automation of the tax registration by tax offices has therefore aimed at assisting the Albanian Tax authority to achieve the principle goal of fiscal reform: to increase revenue collection.

In September 2006, the CAM-A office changed management and was renamed the EU's Customs and Fiscal Assistance Office (CAFAO). The current mission is expected to end in February 2008.

Under its modernisation and reform drive, the GDT has added into the Integrated Tax System (ITS) the VAT, Profit Tax, Simple Profit Tax, Income Tax and Social and Health

Insurance, and it currently aims to add the excise and gambling tax. A risk analysis system for the VAT, based on data mining technologies is being implemented in the Durres tax office, with assistance of CAFAO.

The GDT has also embarked on Human Resources development through various training courses including basic, advanced and specialised courses to some staff. This has equipped the staff with the relevant knowledge and skills necessary to handle the diverse responsibilities of the Authority and the flexibility to manage new challenges in the future. In addition, training needs for the entire staff of the Tax Administration have been assessed during the reform and modernisation process, and a detailed training strategy covering basic, advanced and specialised courses has also been developed. Furthermore, the GTD is devoting a lot of efforts towards sensitisation of taxpayers on their rights and obligations.

The Integrated Tax System was upgraded to the latest version of Oracle database platform, and a migration process from Novell Netware to Windows 2003 is under way. The GDT, with assistance from CAFAO, has started to use open source software for its IT infrastructure, and is evaluating further increase of use of open source software. Establishment of a Wide Area network connecting principal tax offices is also in progress. The rapid changes in the tax IT systems have made necessary additional specialized trainings for IT staff, especially in the updated technology platforms used by the tax administration, purchase of additional equipment and software, and technical assistance.

Reform and modernisation have triggered some operational and structural changes in the organisation. Consequently, the processes and procedures for all the GTD Departments have been reviewed and redesigned. These have been documented and disseminated to all the staff concerned. These processes shall form the basis for the design of basic training courses organised for new entrants, and will facilitate the effective implementation of the new tax legislations.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)

The immediate impact of the proposed project is to strengthen the GDT in its short and medium term priorities and is in line with its strategic plan.

3.3 Results and measurable indicators:

Component 1 - Harmonisation of Legislation, Procedures and Practices:

Results:

- New law on VAT partially in line with the EC 6th Directive on VAT
- New law on income tax partially in line with EC directives in this area
- New law on personal income tax

Measurable indicators:

- Increased number of registered VAT payers.
- Increased number of registered income tax payers

- Increased number of registered personal income tax payers.
- Increased number of actual VAT payers.
- Increased number of actual income tax payers
- Increased number of actual personal income tax payers.

Component 2 - Adoption of Internal Audit procedures, aligned with EU standards

Results:

- Restructured internal audit and internal security departments capable of identifying high risks to the integrity of the tax administration operations, effectiveness of procedures and management controls.
- Alignment with Tax blueprints; the enhancement of the administrative capacity of the tax administration, on the basis of the EU tax blueprints, with specific attention paid to the tax collection and control capacity as well as to tax obligations and voluntary compliance. The Tax General Directorate will undertake in 2007 a gap analysis with the Tax Blueprints.

Measurable indicators:

Greater accuracy in the identification of high risks in the Internal audit and internal security departments

Increased tax collection

More accurate and relevant tax control

Quantifiably greater adherence to tax obligations as well as voluntary tax compliance

Component 3 – Tax Police and the Inquiry and Investigation Directorate

Results:

Report with specific recommendations drafted on the role of the Inquiry and Investigation Department, in line with the EC's Progress Report, and based on recommendations already prepared by CAFAO on the Tax Police implementation of such recommendations.

Measurable Indicators:

Better quality, accuracy and relevance of tax enquiry and investigations

An added-value and effective Tax police

Component 4 – Improvement in the area of excise

Results:

Excise legislation aligned with EU legislation.

Improved collection of excise and improved control procedures.

Improved systems for managing all taxpayers' related data.

Improved and maintained comprehensive, clear and transparent tax legal framework.

Improved and maintained regulations, systems, and procedures including enforcement powers which ensure that the taxpayers pay the correct amount of tax and at the right time

Amended or drafted new regulations.

Execution of training workshops.

Measurable Indicators:

Increased number of excise collections

Quantifiably higher quality control standards

Higher quantity and quality of taxpayers data

Less need for public officials and taxpayers to seek clarifications on legal tax framework and/or procedures

More user-friendly service to taxpayers

Component 5 – IT

Results:

Delivered IT hardware and software upgrades

Trained IT staff, specifically on the Oracle platform

Staff knowledge of EU systems, from the interoperability and interconnectivity aspects.

Measurable Indicators:

Increased usage of open source technologies in the tax administration

3.4 Activities:

The activities foreseen are intended to carry on several of the results and outputs of the CAFAO mission.

Component 1 - Harmonisation of Legislation, Procedures and Practices with the EU acquis, specifically VAT and Income Tax as outlined in the NPISAA- in the following areas:

- Draft-law on VAT partially in accordance with the EC 6th Directive on VAT
- Draft law on income tax partially in line with EC directives in this area
- Draft law on personal income tax

As regards the implementation of these laws once adopted, and since this component concerns the update of current laws or those in the pipeline, the twinning project foreseen will use the current and evolving enforcement mechanisms.

Component 2 - Adoption of Internal Audit procedures, aligned with EU standards

- Restructure internal audit and internal security departments to identify: high risks to the integrity of the tax administration operations, effectiveness of procedures and management controls.
- Alignment with Tax blueprints; the enhancement of the administrative capacity of the tax administration, on the basis of the EU tax blueprints, with specific attention paid to the tax collection and control capacity as well as to tax obligations and voluntary compliance. The Tax General Directorate will undertake a gap analysis with the Tax Blueprints.

Component 3 – Tax Police and Inquiry and Criminal Investigation Directorate

- Support for the implementation of CAFAO recommendations

CAFAO's component ALB/07/05 on Tax Investigation is currently preparing materials for investigation and audit officials to recognise fraudulent activities of taxpayers. Furthermore, in collaboration with CAFAO, the beneficiary has approved proposals to establish a Tax crime investigation section within the tax directorate, as well as amendments to legislation for tax investigation.

Component 4 – Excise

- Align excise legislation with EU legislation.
- Improve excise collection and control procedures.
- Improve the systems for managing all taxpayers' related data.
- Improve and maintain a comprehensive, clear and transparent tax law framework.
- Improve and maintain regulations, systems, and procedures including enforcement powers which ensure that the taxpayers pay the correct amount of tax at the right time
- Amend or draft new regulations.
- Workshops.

Component 5 – IT

- Support for the improvement of the IT infrastructure of the taxes, through hardware and software upgrades.
- Support for the increased use of open source technologies in the tax administration
- Support for the training of IT staff, especially in the Oracle platform on which the Integrated Tax System is based.
- Support for creating knowledge of EU systems, from the interoperability and interconnectivity aspects.

See section 3.7 "linked activities" for information on complementary assistance provided by the US. As regards the territorial coverage of this IT Component, once it is clear where all IT support (hardware and software) under the US-MCC project has been provided, as well as where the possible US follow-on support will be provided,

the exact nature of the IT supply (hardware and software) under IPA as well as its territorial coverage will be ascertained.

3.6 Conditionality and sequencing

Since 1998, the EU has invested 20 million EUR in the area of tax (and customs) reform in Albania. Although progress can and has been noted in these important areas of public sector reform, sustainability of return on investment can not be assured. Tax officials are not covered by the Civil Service Act and so with each change of Government, sweeping personnel changes take place throughout the tax administration, resulting in the loss of both institutional memory as well as trained staff in both IT and administrative procedures. Furthermore, each time there are changes in the upper levels of the Tax Administration, changes in the subordinate staff follow as well.

In a highly politicised culture such as Albania, **the Government must be warned that EU funded support will not be assured without the retention of staff. EU assistance, therefore, should be suspended in the case of the removal of more than 10% of staff.**

3.7 Linked activities

As regards Component II, an EU funded twinning project in support of internal audit ended in 2006. It delivered, inter alia, a manual on internal audit, support for the revised internal audit law and training. Another twinning project for PIFC is foreseen to start in 2008. The EC carefully monitors reforms in this area. It has provided extensive comments to the Albanian authorities on the internal audit law, as well as on the draft organic budget law.

During the period September 2006 to September 2008 the GDT will benefit from \$5 million support through the US funded Millennium Challenge Account Threshold country Plan, whose principal aim it to reduce corruption levels in Albania. The team comprises a small team of technical expertise, the results of whose efforts are expected to be the following:

- Legal framework amended and guidance produced- including support in drafting a new Tax Procedures Law
- GDT reorganised and the role of Tax Police analysed
- New functional divisions piloted in Tirana Tax Office
- Support to IT system – e.g. recommendations for IT upgrades/improvements, e-filing, enhanced website as well as implementation plan for a ‘Call Centre’
- Professional development plan
- Taxpayer appeals process revised – including the establishment of a Tax Court
- Education and compliance campaign completed.

The EC delegation in Tirana has held and continues to hold regular meetings with the MCC project. The Head of the Tax component of the MCC project was consulted in the drafting of this fiche. The MCC project will purchase both hard and software for the Tax DG. If Albania meets ‘the MCC threshold’, then additional funds will be provided to the Albanian administration, some of which may be invested in fiscal reform.

Although both the CAM and EU-CAFAO projects are working in the area of tax reform, lack of duplication and complementarity has been ensured by their frequent meetings and exchange of information. Therefore, the component activities foreseen in this fiche are expected to carry forward reforms already underway by both projects, and specifically that of EU-CAFAO. Hence, the real results of both projects are expected to have an impact on the activities foreseen in this fiche. In preparing the Twinning fiche for the assistance foreseen in this fiche, the recommendations of the final report of CAFAO will be taken into account.

During the period 2001-2006, the United Kingdom's Department of International Development (DFID) funded long term advisory support to the Tax administration.

Since 2004, the Swedish Government's international development department, SIDA, has funded short term advice to the Large Tax Payer's office and the Durres district Tax offices.

Since 2001 the German Government through the INWENT project has assisted the Tax Administration on tax inspector training in various fields.

3.8 Lessons learned

Experience has shown that the effectiveness of tax collection has a bearing on foreign direct investment in Albania; economic crime and tax evasion have been among the most important concerns that need to be combated in order to ensure an attractive economic environment for both foreign and national companies. If the tax authorities are seen to be able to overcome such difficulties, the balance of payments of the state budget could benefit from greater investments.

Investment in the integrated tax systems will require a constant flow of support firstly to create a fully operational system across the country, and secondly to upgrade the system. **In line with section 3.6, in order to achieve a greater level of sustainability, the government should assign funds to fiscal reform over the medium term, as well as retention of trained staff.**

As several donors are supporting fiscal reform in Albania, the existing framework of donor dialogue should be continued in order to ensure complementarity, and lack of duplication, as well as beneficiary absorption capacity. The GDT should take the lead on such coordination activities, periodically calling stakeholder meetings under the leadership of the Ministry of Finance.

4. Indicative Budget (amounts in €)

	TOTAL COST	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	% *	IB (inst bldng)	INV	Total	% *	Central	Regional	IFIs	Total	% *
Activities												
Contract 1.1		2.2 M	100			0						

Component 1 - Harmonization of Legislation, Procedures and Practices													
Component 2 - Adoption of Internal Audit procedures, aligned with EU standards Tax Blueprints													
Component 3 - Improvement of the Criminal Investigation Directory													
Component 4 - Excise													
Component 5 - IT advice													
Contract 1.2		0.3 M	100			0							
Provision IT hardware & software													
TOTAL		2.5 M	100			0							

*expressed in % of the Total Cost

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1 - EU Twinning Tax project	1st Quarter 2008	3 rd quarter 2008	1 st Quarter 2011
Contract 1.2 – IT & Software**	3 rd Quarter 2008	1 st quarter 2009	1 st Quarter 2011

** The IT experts employed under Contract 1.1 will draft the technical specifications for the IT hardware and software equipment foreseen under Contract 1.2.

This schedule is indicative. This project should be in place as soon as possible in order to minimise the assistance gap after the completion of the current CAFAO project.

6. Cross cutting issues (where applicable)

6.1 Equal Opportunity

While an objective assessment of the personnel's qualifications and experience is central to the performance of the tax administration, equal opportunities are satisfactorily taken into account.

6.2 Environment: N/A

6.3 Minorities: N/A

List of ANNEXES

- 1- Logical framework matrix in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3 - Reference to laws, regulations and strategic documents
- 4- Details per EU funded contract (*) where applicable:

Contract 1.1 will be a twinning contract. Contract 1.2 will be a supplies contract.

For *twinning covenants*: account of tasks expected from the team leader, resident twinning advisor and short term experts

The exact tasks of all staff (resident and short term) involved in the foreseen twinning project will be established once a clearer outline of the final results of the ongoing CAFAO mission (see sections 3.1 and 3.7) is provided.

For *grants schemes*: account of components of the schemes

N/A

For *investment contracts*: reference list of feasibility study as well as technical specifications and cost price schedule + section to be filled in on investment criteria (**)

An equipment component is foreseen as part of this project in terms of purchasing additional equipment and software. The technical specifications as regards IT hardware and equipment will be drafted under the short term experts foreseen under the foreseen twinning project.

For *works contracts*: reference list of feasibility study for the *constructing works* part of the contract as well as a section on investment criteria (**); account of services to be carried out for the *service part* of the contract

N/A

(*) non standard aspects (in case of derogation to PRAG) also to be specified

(**) section on investment criteria (applicable to all infrastructure contracts and constructing works):

- Rate of return
N/A

- Co financing
The project will be fully covered by EU funds.
- compliance with state aids provisions
N/A
- Ownership of assets (current and after project completion)
Albanian Government, Ministry of Finance, General Directorate of Taxation,
taxation district offices

ANNEX I - LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name and number Support for the General Directorate of Tax of Albania	
		Contracting period expires: 3 years following the date of conclusion of the Financing Agreement	Disbursement period expires : One year after the end date for the execution of contracts
		Total budget: €2.5 million	IPA budget: €2.5 million
Overall objective	Objectively verifiable indicators	Sources of Verification	Assumptions
To assist the Government of Albania in the process of integration into the EU through the modernisation of the Tax Department in the facilities, legislative and in some specific areas.	<ul style="list-style-type: none"> • Increase of revenue and registered tax payers. • Legislation approximated to EU standards • Procedures are more in line with EU standards • Excise systems are approximated to EU standards • IT systems support the fore-mentioned reforms • Improved image of the Tax Administration in public and the 	Internal evaluations of the beneficiary institutions Tax Administration interim and annual reports EC Progress reports and IMF reports.	<ul style="list-style-type: none"> • Commitment of Ministry of Finance to support and oversee fiscal reform as outlined in PB Strategy, and the GDT's strategic plan. • Commitment of GD of Taxation to accomplish reform • Sustained Human and Financial Resource allocation to such reforms • Retention of and upgrading of investments (i.e. trained staff and IT system)
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
The purpose of this project is to support the General Tax Directorate and its district offices to achieve the legislative, procedural, human resource and information technology goals as set out on its Strategic Plan covering the period 2007 – 2013.	<ul style="list-style-type: none"> • Increase of revenue and registered tax payers. • Legislation approximated to EU standards • Procedures are more in line with EU standards • Excise systems are approximated to EU standards • IT systems support the fore-mentioned reforms Improved image of the Tax Administration in public and the	<ul style="list-style-type: none"> • Monitoring data from the General Directorate of Taxation Ministry of Finance, • Progress Report of EC • Monitoring data and reports from IMF • Statistical and survey data from INSTAT 	<ul style="list-style-type: none"> • Commitment of Ministry of Finance to support and oversee fiscal reform as outlined in PB Strategy, and the GDT's strategic plan. • Commitment of GD of Taxation to accomplish reform • Sustained Human and Financial Resource allocation to such reforms Retention of and upgrading of investments (i.e. trained staff and IT system)
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<u>Component 1</u> - Harmonisation of Legislation, Procedures and Practices by approximating tax and excise legislation and procedures on the EU acquis, specifically on VAT, Excise and Tax on Income as outlined in the NPISAA	<ul style="list-style-type: none"> • Additional and wider range of approximation measures embedded • Number of fiscal laws prepared and send for approval to the Albanian Assemble <u>Measurable indicators:</u> <ul style="list-style-type: none"> • Increased number of registered VAT payers. • Increased number of registered income tax payers • Increased number of registered personal income tax payers. • Increased number of actual VAT payers. • Increased number of actual income tax payers • Increased number of actual personal income tax payers. 	<ul style="list-style-type: none"> • Monitoring data from the General Directorate of Taxation Ministry of Finance, • Progress Report of EC • Monitoring data and reports from IMF • Statistical and survey data from INSTAT 	<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms

LOGFRAME PLANNING MATRIX FOR Project Fiche – continued			
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<u>Component 2:</u> - Adoption of Internal Audit procedures, aligned with EU standards - Alignment with Tax blueprints;	<ul style="list-style-type: none"> • Audit procedures adopted • Gap analysis compliance with Tax blueprints. <p style="text-align: center;"><u>Measurable indicators:</u></p> Greater accuracy in the identification of high risks in the Internal audit and internal security departments Increased tax collection More accurate and relevant tax control Quantifiably greater adherence to tax obligations as well as voluntary tax compliance	<ul style="list-style-type: none"> • Monitoring data from the General Directorate of Taxation, Ministry of Finance, • Progress Report of EC • Monitoring data and reports from IMF • Statistical and survey data from INSTAT 	<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms
<u>Component 3:</u> Improvement of the Criminal Investigation Directory/Tax Police	Better functioning Criminal investigation directory <p style="text-align: center;"><u>Measurable Indicators:</u></p> Better quality, accuracy and relevance of tax enquiry and investigations An added-value and effective Tax police	<ul style="list-style-type: none"> • Monitoring data from the General Directorate of Taxation, Ministry of Finance, • Progress Report of EC • Monitoring data and reports from IMF • Statistical and survey data from INSTAT 	<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms

<p>Component 4: Improvement in the area of Excise</p>	<ul style="list-style-type: none"> • Excise legislation aligned with EU legislation. <p><u>Measurable Indicators:</u> Increased number of excise collections Quantifiably higher quality control standards Higher quantity and quality of taxpayers data Less need for public officials and taxpayers to seek clarifications on legal tax framework and/or procedures More user-friendly service to taxpayers</p>	<ul style="list-style-type: none"> • Monitoring data from the General Directorate of Taxation Ministry of Finance, • Progress Report of EC • Monitoring data and reports from IMF • Statistical and survey data from INSTAT 	<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms
<p>Component 5: Improvement of the IT</p>	<p>Delivered IT hardware and software upgrades Increased usage of open source technologies in the tax administration Trained IT staff, specifically on the Oracle platform Staff knowledge of EU systems, from the interoperability and interconnectivity aspects</p> <p><u>Measurable Indicators:</u> Increased usage of open source technologies in the tax administration</p>	<ul style="list-style-type: none"> • Monitoring data from the General Directorate of Taxation Ministry of Finance, • Progress Report of EC • Monitoring data and reports from IMF • Statistical and survey data from INSTAT 	<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms, and assign funds for continual upgrade. • Retention of trained IT staff.

Activities/Components or input	Means	Costs	Assumptions
Component 1 - Harmonisation of Legislation, Procedures and Practices by approximating tax and excise legislation and procedures on the EU acquis, specifically on VAT, Excise and Tax on Income as outlined in the NPISAA	Twinning	A total indicative budget of 2.5 Million Euros	<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms
Component 2: - Adoption of Internal Audit procedures, aligned with EU standards - Tax Blueprints	Twinning		<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms
Component 3: – Tax Police and Inquiry and Criminal Investigation Directorate	Twinning		<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms
Component 4: Excise	Twinning		<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms
Component 5: IT	Twinning and IT hardware and software supplies contract		<ul style="list-style-type: none"> • Commitment of GDT to follow through reforms

ANNEX II: amounts (in €) Contracted and disbursed by quarter for the project

Contracted	1st quarter 2008	2nd Quarter 2008	3rd Quarter 2008	4th Quarter 2008	1st quarter 2009	2nd quarter 2009	3rd quarter 2009	4th quarter 2009	1st quarter 2010	2nd quarter 2010	3rd quarter 2010	4th quarter 2010
Contract 1.1			2.2 M									
Contract 1.2					0.3M							
Total			2.2 M		0.3 M							
Cumulated			2.2 M		2.5M							
Disbursed												
Contract 1.1			880.000		550.000				550.000			220.000
Contract 1.2					180.000			120.000				
Total			880.000		730.000			120.000	550.000			220.000
Cumulated			880.000		1.610.000			1.730.000	2.280.000			2.5 M

ANNEX III

Reference to laws, regulations and strategic documents:

Laws:

- Law No.8560 dated 22.12.1999 “On Tax Procedures in the Republic of Albania”
- Law No.7928 dated 27.04.1995 “On Value Added Tax” (amended),
- Law No.8438 dated 28.12.1998 “On Income Tax”, which entered into force since January 1999 (amended)
- Law No.8978 dated 12.12.2002 “On Local Tax for Small Business”;
- Law No.8976 dated 12.12.2002 “On Excise in the Republic of Albania” (amended).
- Law No.8977 dated 12.12.2002 “On the Tax System in the Republic of Albania”;
- Law No.9136 dated 11.09.2003 “On Collection of Liable Contributions of Social and Health insurance in the Republic of Albania.
- Law No.8982 dated 12.12.2002 “On the Local Tax System”

Reference to National Action Plan for the implementation of the SAA

More specifically, the legislative initiatives to be taken, in the medium term have been listed by the Albanian authorities as:

- Draft law on VAT; introduction of a reduced tariff of VAT in the framework approximation of the level of VAT with that of the 6th Directive of the EC.
- Instruction of the Minister of Finances on Value Added Tax to support these amendments.
- Draft law on VAT; enlargement of the number of VAT taxpayers by reducing the VAT registration threshold to reflect the approximation with the threshold of the 6th Directive of the EC.
- Instruction of the Minister of Finances on Value added tax concerning the reduction of threshold.
- Draft law on Income Tax to enlarge the integral system of statement and payment of personal Income Tax in the framework of further approximation with the EU Directive on direct taxes.
- Instruction of the Minister of Finances on Income Tax to support this amendment.
- Draft law on Tax Procedures in the framework of further approximation with EU Directives.
- Instruction of the Minister of Finances on Tax Procedures to support this amendment.
- Draft law on Excises; method of levying excise tax on alcoholic beverages not per liter of drink, but per liter of pure alcohol, in the framework of further approximation with EU directives on indirect taxes.
- Instruction of the Minister of Finances regarding the level of Excises to support these amendments.
- Draft law on Income Tax; enlargement of the integral system of statement and payment of personal Income Tax in the framework of further approximation with the EU Directive on direct taxes.
- Instruction of the Minister of Finances on Income Tax to support this amendment.

Reference to MIPD

Under section 2.2.3.3 'Programmes to be implemented', the multi-Annual Indicative Programming document (MIPD), states the following: ‘

- Support to the customs and taxation reforms and capacity building to the Albanian customs and tax administrations.

Reference to National Development Plan

The Albanian Government's National Strategy of Development and Integration takes a bottom-up approach, including the above-mentioned EU documents.

Under the framework of the Government's Integrated Planning System (IPS), whose central aim is to match medium and annual budgeting to the policy framework, has been drafted a Public Finance strategy by the Ministry of Finance covering the period 2007-2013. The strategic aims of the strategy reverberates those of the EP and the NPISAA.

Furthermore, the GDT has prepared a Strategic Plan for the same period.

Reference to national / sectoral investment plans

www.keshilliministrave.al/shqip/dsdc