



# ALBANIA

## TECHNICAL ASSISTANCE REPORT - MEDIUM-TERM REVENUE STRATEGY: REVENUE ADMINISTRATION REFORM OPTIONS

May 2022

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## **Albania**

# **Medium-Term Revenue Strategy: Revenue Administration Reform Options**

Stephen Vesperman, Paul Dempsey, Allan Jensen, Barrie Russell, and Michael O’Grady



**Technical Report**

**February 2020**

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## ABBREVIATIONS AND ACRONYMS

|         |  |
|---------|--|
| ALL     | Albanian Lek (currency)  |
| ASYCUDA | Automated System for Customs Data                                |
| BEPS    | Base Erosion and Profit Sharing                                  |
| B2B     | Business to Business   |
| B2C     | Business to Customer   |
| CAAT    | Computer Assisted Audit Tools                                    |
| CD      | Capacity Development   |
| CEE     | Central and Eastern European Countries                           |
| CIT     | Corporate Income Tax   |
| CRM     | Compliance Risk Management                                       |
| CRS     | Common Reporting Standard  |
| EDW     | Enterprise Data Warehouse  |
| EU      | European Union   |
| FAD     | Fiscal Affairs Department  |
| GAAR    | General Anti-Avoidance Rule                                      |
| GDC     | General Directorate of Customs                                   |
| GDP     | Gross Domestic Product   |
| GDT     | General Directorate of Taxes                                     |
| HQ      | Headquarters   |
| HRM     | Human Resource Management  |
| IEKA    | Albanian Institute of Authorized Chartered Auditors              |
| IMF     | International Monetary Fund                                      |
| IT      | Information Technology   |
| LTO     | Large Taxpayer Office  |
| MTRS    | Medium Term Revenue Strategy                                     |
| MOFE    | Ministry of Finance and Economy                                  |
| NACE    | Classification of Economic Activities                            |
| NAIS    | National Agency for Information Society                          |
| NCTS    | New Computerized Transit System                                  |
| OECD    | Organization for Economic Cooperation and Development            |
| PIT     | Personal Income Tax  |
| POS     | Point of Sale  |
| RTO     | Regional Tax Office  |
| SECO    | State Secretariat for Economic Affairs (Swiss Government Agency) |
| SEE     | Southeast European Countries                                     |
| SELDI   | Southeast European Leadership for Development and Integrity      |
| SOE     | State-Owned Enterprise   |
| SSC     | Social Security Contributions                                    |
| VAT     | Value Added Tax  |
| VDP     | Voluntary Disclosure Program                                     |

## PREFACE

In response to a request from Ms. Anila Denaj, Minister of Finance and Economy, for support and guidance in the preparation of a Medium-Term Revenue Strategy (MTRS), an International Monetary Fund (IMF) Fiscal Affairs Department (FAD) mission in revenue administration visited Tirana during the period November 4–19, 2019.

This mission was led by Mr. Stephen Vesperman (FAD). It comprised of Messrs. Paul Dempsey and Allan Jensen (both FAD), and Messrs. Barrie Russell and Michael O’Grady (both external IMF experts). This mission partly overlapped with a FAD mission, led by Ms. Dora Benedek, that provided tax policy options for the MTRS.

Several meetings were held with the Minister; Mr. Elton Haxhi, Deputy Minister, Ministry of Finance and Economy (MOFE); Mr. Nikolla Lera, Advisor to the Minister, MOFE; Ms. Delina Ibrahimaj, Director General, General Directorate of Taxation (GDT); Mr. Gjon Bardhi, Director General, General Directorate of Customs (GDC); and many managers and staff from the respective Headquarters (HQ) of the two agencies. The mission also met with Ms. Mirlinda Karcana, General Director, National Agency for Information Society (NAIS).

Meetings were also held with Ms. Marinela Jazoj and other representatives of the Foreign Investors Association of Albania; and from other development partners for the GDT, Dr. Patrik Meier, Deputy Head of Mission, Embassy of Switzerland, Ms. Sybille Schmidt, European Union (EU) Delegation; Ms. Sarah Jurreit, Directorate-General for Economic and Financial Affairs, European Commission; and Ms. Ermelinda Xhaja, Program Officer, Embassy of Sweden. The mission also liaised with Ms. Hilda Shijaku from the World Bank.

The mission would like to thank Ms. Blerina Paja, GDT, and Ms. Mirela Meko, GDC, for their excellent logistical support.

This report proposes revenue administration options to be considered for the MTRS and represents the final version of the draft aide-mémoire that was submitted to the authorities on November 19, 2019. It consists of an executive summary and seven sections: (i) Context of MTRS Development; (ii) Tax Compliance Gap and Current Responses; (iii) Addressing High Risk Areas of Non-Compliance; (iv) Building Institutional Capacity; (v) Improving Customs Administration; (vi) MTRS Governance Arrangements; and (vii) Next Steps and External Capacity Development Support.