

FISCAL POLICY IN ALBANIA

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Abstract

After 1990 with the fall of the communist totalitarian system in Albania, began the construction of a market economy based on private property. Consequently tax system suffered radical changes being completely transformed from a system of centralized taxation system based on the concepts of a market economy. In 1993 for the first time in Albania was set Income Tax, which replaced the Tax and enterprises income tax. While in Albania in 1996, the turnover tax was replaced with the Value Added Tax. Referring to the tax system in years, easily conclude that the tax system in Albania has undergone many changes, even frequent dictated by policies governing this country, because of competition from countries in the region, but also from business requirements at all times. Through this paper will give a general picture about the performance of the tax system in Albania over 20 years, and will present qualitative and quantitative changes that have occurred, dictated by the requirements of the time these policies and governance. The performance of the tax system in Albania over 20 years is improve because the government has built structures that help control tax evasion To see how accurately the progress of tax performance in Albania and to make an accurate analysis, comparative methods will be used in years, for each tax type and tax.

Keywords: Tax, Albania, Income, Economy, VAT, Fiscal policy

INTRODUCTION

The Situation of Taxation in Albania

Experiences of former communist countries that underwent changes due to the transformation of political and economic systems in these 20 years, was clearly different from one country to another (Biberaj. E., 2001). For the purposes of this publication, based on experiences in the field followed the achievements in tax legislation and tax performance sector (Lemel. H 2000), there is a division into two main groups: The first group includes those countries that reformed at the same time as the taxation system and the structure of institutions, mainly included Eastern Europe countries. This group of countries at all times is distinguished for an effective administration taxes, and therefore they get higher scores and permanently from payment of income tax (Martinez-Vasquez Jorge, McNab Robert 1997).

In the second group are those countries that the process including the taxation system reform and institutional reform of the structure at the same time did not but the existing systems remained consistent (Guttman, P. M. 1977). The data show that these countries have not been following the growth sustainability and preservation of the level of income tax in years (Muço, M., Peter, S., Luçi, E., & Hashorva, G. 2004).

Policies that have the goal, better tax structure needs to respond to the collection of tax revenues and creating a stimulating climate for growth and private sector development in Albania, especially for specific strategic sectors. As a result of these transformations and policy in Albania, tax revenues in 2013, resulting in 10-fold increase versus the level of income in 1992. By analyzing the structure by types of taxes in total tax revenues has resulted that the main role of the tax system in Albania keeps VAT.

Percentage of application is due to three tax rates, 20%, 6% (for farmers) and 0% for exports. According to data from the Ministry of Finance and the Albanian Institute of Statistics, showed that revenues collected from VAT Y. GDP ratio has reached the highest level in 2008 with 9.8%, and in 2012 as a result of the impact of the global crisis, this ratio has decreased to 9.2% of GDP or 0.6% less than 2008.

The analysis of data in years for VAT, has come though improving, a disturbing problems that clearly points out, is very high for VAT non-refundable at the time prescribed by law, and procedures to be followed, during the waiting time to receive reimbursement are quite arduous for business (Heady, C. 2004).

Regarding excise tax, tax legislation, in relation to this tax, has come been improving over the years. In 2012 with the entry into force of the new law on excise duties, was made possible harmonized legislation approximation with the European Union (Goode, R. 1993). Even the revenue collected from excise generally performed with a growing annual trend from year to

year until 2011 (Meksi, E. 2012). While in 2012 as a result of the passage of the administration of excise tax from the Tax Directorate General of General Directorate of Customs, as well as due to the effects of the global crisis, the revenue collected from the excise tax on an annual basis were 10 percent lower than in 2011.

In relation to income tax in Albania, the tax structure is similar to what most EU countries, who call the tax on corporate income (Corporate Income Tax). Referring to reports that the World Bank, IMF, etc. IOTA.

In fact there is a substantial difference compared Albania with international practice, for the manner of classification or not being subject to income tax. In Albania the status determined by the turnover of the business carried out which is over 8 million lakhs per year and does not depend on the legal form of organization of business activity, as have the countries of the EU. Tax to the extent of income tax in Albania, it has come falling from 30% it was in 1993, decreased in 2008 to 10% fee which continued until 2013.

This fee is among the lowest fees in some countries of the region and all countries of the European Union. If we refer to the tax policies pursued until now, there is a tendency by some EU countries and the region, to reduce the tax burden, their fiscal taxpayers (Gale, W. G., Houser, S. and Scholz, J. K. 2006). Likewise no attempt to simplify taxation schemes or elements of exclusion tax incentives for specific sectors and businesses, putting taxpayers on equal start, for tax effects (Sheridan, C. 2012). During these years, even though the profit tax rate, has come at discounts from 30% to 10%, the revenues collected from income tax, have performed with an increasing trend from year to year. This has come as a result of the increased number contributor to taxpayers with income tax, but also as a result of improving tax administration. Personal income tax has been and remains one of the most striking taxes from tax evasion in Albania (Gërxhani, K. 1997).

This is due to the difficulties that exist both in terms of lack of fiscal civic culture, both in terms of the lack of efficiency of the tax authorities to administer this type of tax (Budina, N and S van Wijnbergen. 1997). In early 2007, the Albanian government made a fiscal reform in the field of personal income taxation, which essentially changed the structure of this tax, replacing the progressive tax rates with a unique degree of 10%, for all kinds of personal income, regardless of the source of their creation and the amount of income arising. In March 2013 he became a recent change in the law regarding personal income tax from salaried employees, which exclude this type of monthly salaries tax under 30 thousand lakhs. Compared with countries in the region show that Albania, Macedonia, Bulgaria, Kosovo, Bosnia and Herzegovina, apply flat tax system and have lower levels of personal income tax in the region of 10%.

Several other countries in the region and most of the countries of the European Union apply progressive system taxation with more than one level, namely, Serbia 12,20,25%, Romania 16 and 50%, Greece 10,20,22 , 32 and 42%. Although it cannot draw a correct conclusion on the effects and advantages of a flat tax on income and on the economies of countries that have adopted, is to refer to data results that Albania, in about 5 years of experience with tax flat, has performed with the positive trend on personal income from year to year (Stahk. J, Sikor. T. and Dorondel. S. 2007).

Although Albania has implemented a simple 10% tax on income, TAP to GDP ratio, has come increasing and in 2009 this ratio reached 2.3% thereby indicating, the highest point in years to GDP. If we take the analysis of the structure of personal income divided by source of creation, shows that about 50% of the income of busy earnings from wages and remuneration of employees. To minimize tax dodgers and to better manage the TAP meeting in the area of wages, by the Albanian government undertaken several legal measures, wage setting system and the reference obligation of salary through the banking system).

Besides the personal income tax, weak elements in the Albanian tax system have been, and remain, administration and collection of social security contributions and health of employees. For this reason, during all these years the social security system and health has been and remains at the center of governance reforms, both in terms of the contribution burden as well as the awareness of awareness among contributors and in particular improving the administration of contributions. If we make a comparison with the countries of the Balkans shows that the lowest rate of social security contributions and health, and Kosovo with 10% of salary, while the highest rate was 43%, Hungary with payroll. Albanian state budget revenues from social security contributions and health represent the highest difference in the shortfall compared with other taxes taken together. The main causes of poor performance of social security contributions and health, are associated with a low number of individuals who contribute to social insurance and health management and ineffective tax administration, on the work of black and inefficiencies for collection of contributions

General Information

Based on the statistical data and the Ministry of Finance over the years, resulting total tax revenue in the budget, has increased significantly from year to year. Specifically annual tax revenues of 33.5 billion in 1993 have been reached 329.8 billion in 2012, a growth of 10 times more.

Currently in Albania there are about 86,000 active taxpayers, who contribute to the paying of taxes to the state budget. This number has come increasing from year to year, as a

result of new business registration. The expansion of the taxpayer base has been the main key to income growth in years. Tax policies and implement them correctly, of course biased without having a significant impact on taxpayer education, awareness of their taxes to pay taxes voluntarily within legal limits (Olters, J. P. 2003).

Scanning through years of income, based on the resources of their creation, the tax revenues from non-tax revenues and the various aids show that in 2012, benefits are on par with the 1993 and suffered apparent decrease versus 2001. While tax revenues have increased visible about 13 times higher than in 1993 and non-tax revenues which grew about 5 times higher than in 1993.

According to data of the Ministry of Finance, Albania in 1996, collecting 15.1 ALL for 100 ALL GDP, an indicator that has performed to increase from year to year and in 2012 this indicator results in 24.5 lakhs level, for every 100 ALL GDP. We will present no.1 chart the progress of the revenue collected from 1993-2012.

Referring to the tax structure, from year to year has tended to shift from direct taxes towards indirect taxes like VAT, Excise, national taxes. This has led to indirect taxation on consumption, become dominant against taxes that are collected from income taxation of individuals. Through Meksi, E. (2012) insights on the best performance in years of direct taxation and indirect risk, it is clear that the revenue collected from indirect taxes that burden consumption, such as customs duties, VAT and excise, are significantly higher direct taxes against income earned by individuals, businesses.

The phenomenon also appears in ascending growth rate, where the revenue from indirect taxes has increased higher than direct taxes, especially during the years 1998 to 2008. After 2008, they felt the effects of declining consumption and hence domestic production and imports, due to the impact of global crisis. Besides other things, the relationship between revenues from indirect taxes and direct him, have influenced many other factors, objective and subjective, one of the main ones: direct taxes, are more difficult to calculate and to be collected by the tax administration, this for lack of efficiency of tax and lack of infrastructure.

In many cases these taxes become subject to the income concealment and tax evasion. The level of management and administration of the Tax Administration complicates the tracking and collection of direct taxes in time (Olters, J. P. 2003). While indirect taxes are easier to collect in an office, especially those collected at the time of clearance of goods at customs, customs duty, excise duty, VAT, turnover tax etc. Fiscal policies pursued over the years, especially after 2006, have been lowering those rates occur occasionally direct taxation, particularly income tax fee which 30% it was in 1993, is in 2007 became 10%, while personal income tax was made with 10% fixed rate, for all types of income.

As regards indirect taxes, the VAT rate was kept unchanged at 20% since 1996, while the excise tax has been increasing steadily for all categories of goods and commodities. Consist of direct taxes: Income tax, small business tax and the personal income tax, while indirect taxes consist of VAT, excise and customs duties. During these years there have been significant changes both within the structure of earnings, both in terms of the ratio of revenue to GDP, this is also for the fact that GDP has come constantly increasing. In addition, note that income from findings public enterprises declined substantially from year to year, as a result of privatization in the public sector, but also because of rapid growth and development of the private sector (Muço, M., Peter, S., Luçi, E., & Hashorva, G. 2004).

Regarding income from agriculture, this contribution is far from potential opportunities, both in terms of tax revenue, as well as social security contributions and health.

According to Bank of Albania the structure of tax revenues to GDP in 1996 was: agriculture 35.1% of total GDP, construction 4.9 percent, manufacturing sector processing 9.5%, while in 2012, the structure of income for each sector, GDP appears: agriculture 14.8%, construction 8% of manufacturing processing and the sector is 12%. We increased tax revenues, except governance policies, to the correction of tariffs taxation, have played a positive role other factors such as improvement of tax administration through continuous training of tax administration, severing the war to minimize the evasion fiscal and educational qualification of taxpayers, simplifying tax procedures by filing online and increase service levels.

CONCLUSIONS AND RECOMMENDATION

Albania has a short history of fiscal policy in the market economy, so there really need the help of specialists in this opinion and debate.

In the period of transition in Albania, fiscal policy has been accompanied by a volatile economic, this situation, this situation has impacted negatively on business cycles. This situation has impacted negatively on business cycles.

Informality in Albania is reflected in the wrong fiscal policies, which in total tax stochastic fiscal converge, whether individual character or society level.

Choosing fiscal policy can not be template models that are used in different countries, but must be based on specific conditions that characterize social and economic situation of a country.

Decisions on tax system are currently the most difficult and controversial because there encounter various schools of thought economic, successful and unsuccessful experience, political and economic interests, philosophy of opposite ideologies, different traditions and culture etc.

Financing of economic sectors that promote economic growth, that ensure fiscal sustainability and reduce social problems should be the main goals of fiscal policy in Albania.

Although the level of fiscal evasion is reduced, this phenomenon is still present. These measures should be developed and further improved to have high scores for further reduction of the informal economy.

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