

The impact of the Tax Administration in the financial analysis of the economic operators

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Abstract

The Tax Administration, as a modern and efficacious public body which serves the society and guarantees a high level of transparency and modernisation of services, thus becoming the main source of revenue of the Albanian state, has the mission to provide encouragement in order to achieve the highest level of compliance and voluntary tax compliance, and to guarantee a high level of public trust towards the integrity and efficacy of the Tax Administration. In its mission, the Tax Administration administers the collection of taxes and social insurance contributions, urging for voluntary compliance and requesting from everybody to understand and comply with legal obligations. The Tax Administration has the task to ensure rigorous implementation of the Tax Legislation, define and ensure comprehension and reasonable implementation of these laws, the Law "On the Tax Procedures in the Republic of Albania", specific tax laws and relevant sub-legal acts, and treat all taxpayers equally and impartially.

Key words: Tax Administration, voluntary compliance, tax legislation.

Abstract

The Tax Administration is the major source of income for the Albanian state. Its mission is to encourage and to achieve the highest degree of voluntary compliance and enforcement of tax obligations as well as to guarantee a high degree of public confidence through its integrity and efficiency. The Central Tax Administration administers the collection of taxes and social insurance contributions, encourages voluntary compliance and requests that legal obligations are met. Tax Administration has a duty to ensure the right implementation of tax legislation, to determine and ensure the meaningful and reasonable implementation of the provisions of these laws for the purpose of the Law "On Tax Procedures in the Republic of Albania", as well as specific tax laws and relevant sub-legal provisions, treating all taxpayers equally and impartially.

1. Strategic objectives of the Tax Administration

The Tax Administration aims to achieve the following strategic objectives through its activity:

- Financing of social policies and sustainable development in the social and economic life of the country;
- Appropriate conditions for citizens and businesses so that they understand their legal obligations and meet them easily and at minimum costs;
- Preserve the economic stability of the country and of the citizens by identifying taxpayers who do not pay their dues and exercise the full force of the law on them.

The objectives and the measures for the accomplishment of the mission of the Central

Tax Administration rely on the conviction that voluntarily compliance is possible only when all functionalities of services to the clients, tax control and collection of outstanding liabilities will be treated as one set of connected actions based on the risk management model. The Central Tax Administration participates actively in the Committees organised by the European Commission on taxes. The strategic objectives of the Central Tax Administration related to the HR and renewal of IT aim at a more efficacious work and improved services for the taxpayers.

Lastly, the Central Tax Administration aims to achieve maximal efficacy through sustainable management and adaptation of existing procedures with minimal organisational changes. The Central Tax Administration has the responsibility to ensure that the society trusts the revenue system. For the Tax Administration to perform its duties successfully, all employees of the Central Tax Administration must behave according to the principles, values and high standards proclaimed by the Administration.

The implementation of the legislation on the Central Tax Administration has two main components:

1. Raising awareness of and educate the taxpayers and the population to voluntarily comply with the tax obligations;
2. Efficacious tax control.

Voluntarily compliance with the tax obligations and the efficacious implementation of the tax legislation require a fair balance of resources of the Tax Administration through educating and servicing the taxpayers on one hand and an efficacious control and enforcing measures on the other hand.

2. Strategic objectives of the Tax Administration for the period 2017 - 2021

According to the strategic plan 2017 - 2021, the Tax Administration has the following strategic objectives:

1. guaranteeing assistance for the voluntary compliance by offering quality service and reducing administrative burdens in the payment of taxes and social insurance contributions, increasing awareness of the public and developing the culture of voluntary compliance, making clear the role of the Tax Administration in the society, and applying unifying methodologies and practices.
2. efficacious implementation of the legislation on taxes and social insurance by paying attention on the investigation of tax fraud, implementation of the strategy of risk management, further improvement of the tax control and tracking tax fraud, and efficacious and efficient collection of debts;
3. organisational progress of the Tax Administration and development of human capacities by paying attention on the application of methods and systems for the management of a modern Tax Administration, development of capacities and motivation of employees, preservation of optimal processes and of the structure of the Tax Administration, development and improvement of partnerships, modernisation and renovation of premises.

In the course of cooperation with the taxpayers, the Tax Administration aims to continue fighting partiality in using enforcing measures to eliminate problems and unexpected issues by taking into consideration:

- strategic management to accomplish its organisational mission, while managing relations at the place where activity is conducted;
- decisions and actions that focus on drawing and implementation of strategies planned for the achievement of objectives;

- the process of current analysis of the environment and identification of future issues; updating of the Tax Administration with the changes in the environment.

2.1. *The Vision of the Tax Administration*

The Tax Administration must be at the service of the society and guarantee the highest level of transparency and modernisation, becoming the main source of income for the Albanian state (the Strategic Plan of the Tax Administration 2017 - 2021).

2.2. *The Mission of the Tax Administration.*

The mission of the Tax Administration comprises:

1. effective and efficient implementation of the tax legislation;
2. equal treatment of taxpayers;
3. offering of quality services for the taxpayers; continuous improvement of professional skills of the tax inspectors and creation of a professional and motivated Tax Administration;
4. assisting taxpayers in meeting tax obligations.

2.3. *Values of the Tax Administration:*

According to the strategic plan, the values of the Tax Administration are the following:

- *integrity*, to accomplish the tasks truthfully, honestly and transparently;
- *responsibility* for the actions and the results;
- *transparency*, to be sensible, fast, fair and objective in the relations with the taxpayers and other interested parties, by strengthening the trust between the two parties;
- *professionalism*, to increase efforts for the improvement of performance and competencies, with the focus in achieving better results;
- *creativity*, to urge for new ideas, methods, processes and practices;
- *Cooperation*, to cooperate with the taxpayers and other interested parties to achieve the common goals.

3. Objectives of the Tax Administration

The objectives of the Tax Administration are the following:

1. Effective and efficient implementation of the Tax Legislation;
2. Realisation and implementation of the "E-Taxation" programme;
3. Publication of the Tax Legislation, rules and procedures for its implementation;
4. Self-calculation and self-declaration of taxes, monitoring of changes at the premises of the businesses, adaptation of the systems of organisation of resources, IT and work processes to achieve effectivity and efficiency;
5. Continuous enhancement of professional skills in collecting of revenue and decreasing evasion by identifying and not allowing possibilities of non-fulfilment of the objectives of the Tax Administration; providing quality services to the taxpayers; impartial use of measures for the compliance with the tax legislation.

4. Strategic Objectives of the General Tax Directorate

The strategic objectives of the General Tax Directorate aim to guarantee the following services:

1. Improved and modern services to the taxpayers, in order to assist them in paying the taxes. Indicators of the performance Tax Administration are related to:
 - quality and advanced electronic service to the taxpayers;
 - low costs for the taxpayers to comply with the obligations of the tax legislation;

- enhanced efficiency of the officials of the Tax Administration as a result of using the new programme “E-Taxation”, enabling officials to monitor the tax declarations;
 - significant decrease of possibilities of non-compliance with the tax legislation.
2. Improvement of tax performance through the use of the following instruments:
- Prevention of tax evasions and tax fraud;
 - Use of all possible alternatives to increase compliance with the law;
 - Provide services to taxpayers that are considered appropriate for this purpose;
 - Use of a New Risk Model to identify taxpayers who pose risks;
 - Increased attention on taxpayers who are found to have committed gross violations;
 - development of the New Risk Model at the General Tax Directorate, based on the development of the model based on the “E-Taxation” programme and education of specific groups of taxpayers and segments of industry to increase compliance.
3. The improvement of the following capacities and procedures aims to provide an effective solution to the issue of not complying with the tax obligations:
- improvement of administrative capacities;
 - improvement of administrative capacities and of VAT procedures (especially the issuing and control of the VAT invoice);
 - improvement of tax procedures in the Regional Tax Directorates;
 - improvement of tax control through risk analysis.
4. Improvement of tax control procedures through the following models and systems:
- Risk Model for the selection of taxpayers who will be inspected;
 - “E-Taxation” programme.

Taxpayers to be inspected will be selected based on indications obtained from and processed through the New Risk Model and the “E-Taxation”. The procedures mentioned will ensure implementation of the principle of fairness in taxation. Meeting tax obligations and timely submission of correct tax declarations are the bases of the self-declaration, and for this purpose the Tax Administration will plan to re-design its processes to focus on the increase of compliance with the tax legislation through implementation of measures that aim to identify risk areas and principles of risk management, so that the existing capacities of tax inspection are used in the most possibly reasonable way to control taxpayers that pose the highest risk.

The Tax Administration will continue with projects of tax inspection that aim to: harmonise the Tax Administration procedures; objectively select taxpayers to be inspected; increase the efficiency of tax inspection by redirecting the staff to inspect taxpayers that pose more risk by working on the results of the risk analysis; improve the risk elements identified during tax inspections; present and use computer instruments for the e-inspection; ensure quality monitoring of the results of tax inspections through implementation of the IT system of the Tax Administration;

5. The following modalities will aim to improve the performance in collection of taxes and debt:
- simplification of procedures;
 - improvement of HR management skills;
 - debts policy: calculation of debts that have yet to be collected, debts that cannot be

collected, and prescribed debt;

- revision of the assessments when the taxpayer has not filed the revenue declaration, this has increased debt that cannot be collected;
- redesign of the scheme for the advance payment of the tax on profit, to discourage the under-reporting of the profit in the annual declaration.

6. The application of the instruments below will improve the IT System of the Tax Administration:

- modernisation of the IT system, for example: reduction of the time frames of payment of taxes;
- reduction of administrative costs for the administration and the taxpayers;
- avoidance of contacts between the taxpayer and the Tax Administration;
- improvement of doing business in Albania.

7. Creation of a fixed interface between the tax system and the treasury through the following:

- creation of a direct interface between the tax offices and the treasury system so that the Treasury Department is updated daily and not monthly on the taxes collected;
- reimbursement of VAT.

8. The challenge of the Accession to the European Union.

Accession to the European Union requires fulfilment of requirements deriving from the conditions set by the European Union, to ensure that the information provided is appropriate and comparable to information from other countries that are potential candidates.

5. Risk Management at the Tax Administration

The Tax Administration is engaged in implementing a new coherent approach of managing the compliance risk. To have a framework of the Compliance Risk Management and a working methodology, it is necessary to adapt them as a component of the way of working, to make it possible to be clear on where to concentrate the energies on, by addressing the right issues for the industries, sectors and taxpayers. To achieve this, the approach of Compliance Risk Management needs to be part of the framework of the working plan, reflected in the leading processes and in the agreements for the assessment of the results and performance.

5.1. Compliance Risk Management Annual Plan

The Compliance Risk Management Annual Plan is prepared based on: The strategy of the organisation for the development of the Tax Administration, Strategy for the tax compliance, Operational Plan of Risk Management, Strategy and Plan against Informality, Adaptability according to Best Practices related to Treatment of Compatibility.

The Tax Administration considers the Compliance Risk Management an integral component of the development of the fiscal culture as a whole; especially by considering a dynamic economic environment which apart from the economic development requires also that the expectancies of the taxpayers from the fiscal legislation are met, in order to support a European Albania with integration processes. And it is exactly:

- The vision that aims at achieving a stage in which we will be a European Tax Administration supporting citizens in increasing their welfare, by fully playing our role in the European integration processes;
- Our mission, which is collection of the tax revenue through simple procedures

and minimal costs, by applying evenly the tax legislation for the financing of the budget of the Albanian state;

- Values focused on being professional partners of the taxpayer, by serving with integrity, professionalism, cooperation, transparency and ethics, which serve as the basis of inspiration and creation of an annual plan which is effective in managing the compliance risk that must be in cohesion with the organisational strategy and the tax compliance strategy.

The Tax Administration is working to realise how various factors influence the preparation and implementation of the Compliance Risk Management Annual Plan, especially: experiences, perceptions, approaches, behaviours - we require the possibility to use them in our advantage. All this so that those can positively affect the compliance which will give us the possibility to adapt our behaviours in the long-term, for the purpose of achieving the development of an inner motivation while managing the behaviours in the short-term.

In practice, this process will be implemented through compliance programmes that use various instruments available to us, and also by taking into consideration everybody's behaviour, which with time changes the environment. The following principles have been adapted to present the philosophy of the compliance of the Tax Administration:

1. Management of the compliance risks throughout the taxpayer's life cycle. To achieve this, the risk must be transparent and better understood;
2. Focusing on a wider view on the taxpayers;
3. Different groups have different needs and behaviours and are exposed to different risks, which fragments the taxpayers;
4. Risk based distribution of resources targets the right issues and taxpayers;
5. Treatment of the main compliance issues and not just the symptoms;
6. Use of a variety of means to address and reduce risk;
7. Decision-making and strategies based on data and analysis;
8. Structural support of the work plan for the management of the risk - internally and through partnership and cooperation with other bodies.

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