



# Millennium Challenge Albania

## Threshold Agreement TAX COMPONENT FACT SHEET

### Improving Efficiency, Transparency, and Accountability in Tax Administration



*DPT officials participate in case discussions during the ToT sessions on the new tax procedures law, conducted by local and international experts took place between June 10 and 12, 2008.*

PHOTO: CHEMONICS INTERNATIONAL

#### Contact Information:

#### MILLENNIUM CHALLENGE ALBANIA THRESHOLD AGREEMENT PROJECT OFFICE

Classic Construction Building  
“Pjetër Budi” Street, 1<sup>st</sup> floor, no.10  
Tirana, Albania  
Tel. +355-4-238-0400  
Fax. +355-4-238-0424  
E-mail: [office@mcata.org.al](mailto:office@mcata.org.al)  
Website: [www.mcata.org.al](http://www.mcata.org.al)

#### PROJECT DURATION:

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U.S. Agency for International Development  
[www.usaid.gov](http://www.usaid.gov)

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#### OVERVIEW

The Tax Administration Component of the Millennium Challenge Albania Threshold Agreement project works with the Government of Albania (GoA) to overhaul the tax administration procedures, organization and operation. The project focuses on enhancements of the administration of three main taxes: value added tax (VAT), profit tax (PT), and the personal income tax (PIT).

The two-year, \$13.85 million Millennium Challenge Albania Threshold Agreement between GoA and Millennium Challenge Corporation, administered by USAID, assists the GoA to reform and modernize tax administration, public procurement, and business registration through IT solutions and legislative improvements.

#### MAIN ACTIVITIES

The Tax Administration Component works to achieve these results:

**Tax Laws, Regulations, and Explanatory Guidance Clarified.** The project is assisting the Ministry of Finance and the General Department of Taxation (GDT) to introduce a unified tax procedure law and implement regulations in line with best practices and EU standards.

**IT Solutions for E-filing and E-payment of VAT, PT, and PIT.** Introduction of these web-based communication capabilities for taxpayers reduces contact between taxpayers and tax inspectors, diminishes corruption, and decreases costs for taxpayers and tax administration.

**Preventive Measures to Reduce Corruption Institutionalized.** Taking advantage of new IT solutions, the objective is to improve internal business processes and the organizational structure of tax administration by separating administrative functions, consistent with international best practices.

**Taxpayer Services Improved.** A customer relations management IT system allows GDT to track taxpayer/tax authority interactions and enables provision of tax information over the phone or via the Internet.

#### RESULTS TO DATE

- GDT now has a modern Taxpayers and Registration Service Center in Tirana, which uses a Customer Relationship Management software system.
- Large taxpayers and those registered in the Tirana Tax Office are currently able to e-file and e-pay the monthly VAT returns PIT, PT, as well as the social and health insurance contributions. With the e-tax services and now the elimination of the requirement for monthly submission of the sales and purchase books for VAT declarations, the necessary visits by taxpayers to the tax offices have been considerably reduced.
- The new tax procedure law, following extensive discussions with the business community, IMF and EU experts, has been approved by the Parliament and decreed by the President of the Republic. It enters into force 15 days after its publication in the official gazette.
- A comprehensive reorganization package of the tax administration along functional lines awaits approval by the Prime Minister. In the meantime a professional skills assessment survey of GDT staff has been conducted to support these reorganization efforts.
- The Project is engaged in hands-on training on e-filing for nearly 870 accountants, as well as has organized training of trainers on the new tax procedure law and GDT reorganization for 35 tax officials.
- An enhanced GDT website at [www.tatime.gov.al](http://www.tatime.gov.al), provides tax-related information, downloadable tax forms, and access to the e-filing options for Albanian taxpayers.