



# Millennium Challenge Albania

## Threshold Agreement TAX COMPONENT FACT SHEET

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



*Accountants participate in training sessions on e-filing at the Lincoln Center in Tirana.*

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:

September 2006-September 2008

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, the estimated and annual profit tax, as well as the social and health insurance contributions.
- Almost 400 accountants have received hands-on training on using the e-filing system, with more scheduled to participate in upcoming training sessions.
- 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.
- The requirement for monthly submission at tax offices of the sales and purchase books for VAT declarations has been lifted.
- A comprehensive reorganization package of the tax administration along functional lines awaits approval by the Prime Minister, while a professional skills assessment survey of GDT staff is underway to support these reorganization efforts.
- The new tax procedure law, after extensive discussions with the business community, IMF and EU harmonization experts, was approved by the Councils of Ministers on March 5<sup>th</sup>, 2008, and is now before the Parliament.