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# FIRST PERSON Downloading Reduces Tax Corruption

**By making tax forms available online, the Albanian government and USAID have reduced opportunities for bribes.**



Photo: MCC Albania Threshold Agreement

*Like bookstore-owner Ferhat Muhedini, an increasing number of Albanian businesses are now downloading their tax forms to save time and money, and to avoid unwanted requests for “grease” payments. As of May 2008, 90 percent of business taxpayers can access their tax forms online. In June alone, they downloaded almost 35,000 forms, an increase of 288 percent from the previous month.*

The way Ferhat Muhedini sees it, he has three children: a daughter, a son, and his book shop. In the early 1990s, after communist officials with waning power ended publishing restrictions, Muhedini and his father began selling books from a street kiosk. In 2001, he established Friends Book House. Just as with his son and daughter, Muhedini is fiercely protective of his book business but until recently felt at the mercy of the tax inspectors.

Until April 2008, small business taxpayers — which represent 75 percent of all taxpayers — had to visit their assigned tax inspectors every three months to collect pre-printed forms necessary to pay Albanian taxes. Without these forms, businesses could not comply with tax laws, and some tax inspectors took advantage of this situation.

In April, Muhedini downloaded his tax forms from the Internet for the first time. This option was made available by the two-year \$13.85 million Millennium Challenge Albania Threshold Agreement between the Government of Albania (GoA) and MCC, which is administered by USAID and assists the GoA to reform and modernize tax administration, public procurement, and business registration processes through IT solutions and legislative enhancements. Rather than the usual three days, it took him about three hours to complete the process: from printing to payment.

“It’s an incredible change. When I went to the tax office to have my payroll form signed by the tax inspector, she actually asked what kind of business I had. She had no idea. She didn’t ask for anything, and the whole communication was quick and professional. She did her job, I did mine, and that was it.”

Under the new regime, Muhedini says, “there is no more stress because of an arbitrary tax inspector. Instead, I have more time to deal with my business and think creatively of offering more services to my clients.”