



The System of Tax filing in Albania, "E-filing"

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ABSTRACT

The system of tax filing "e-filing" serves to help easily taxpayers to file electronically taxes. According to the article 65 of the law No.9920 Dt.19.05.2008 "The tax Procedures in the Republic of Albania", the tax documents will be disclosed only electronically since January 2010 for large taxpayers and from March 2010 for the other taxpayers. After compiling and filing of the tax documents by taxpayers, administrators of IT must supervise the system of information to generate accurate financial reports and the tax inspectors should make the tax control of declarations. The purpose of this paper is to show, the importance of the e-filing system for taxpayers and tax administration and advantages and disadvantages of this system. Reasons for the implementation of this system are numerous, because of the facilities it offers; transparency system, saving time, avoiding the tax evasion, simplification of procedures, equal treatment of taxpayers by the tax authorities, etc.. This paper will show the main financial reports that generates the tax system, which are very essential to realize qualitative tax audit of taxpayers. According to this paper, I will give my conclusions and suggestions for the "e-filing" system.

Keywords: *E-filing, tin, taxpayer, tax report, declaration.*

1. INTRODUCTION

The Integrated Tax System is one of the most developed systems of information in Albania. To the system are stored all the detailed data of a taxpayer, as well as all transactions that he performs, reported to the respective regional tax departments. The database can be compared to a set of files and registers, in which the information is kept by each respective index register or file. This set of registers and files in a relational database is presented as a number of tables that contain a specific information. Thus, there is a table that holds the general data of taxpayers, a table that holds submitted statements and obligations arising from these statements, a table that stores information about payments that taxpayers perform, a table that stores the debts that has a taxpayer, a table that reflects the financial situation, of the taxpayers, a table that shows the tax calculations etc.. These tables relate to each other with the help of a common indicator, which is the taxpayer identification number (TIN-i). It is created for each taxpayer at the time of its registration in the NRC, the TIN is a unique identifier of each taxpayer. A TIN is unique for each taxpayer. The system is designed in accordance with dispositions of the tax legislation in RA and is updated whenever specific dispositions change in this legislation. The system consists of seven main sub-systems; registration system, data entry system, research system, control system, administrator system, filing system and electronic payment system.

2. THE SYSTEM OF TAX FILING

Since 2007, the General Directorate of Taxation has implemented electronic services for taxpayers; a project supported by the U.S. government under the program "Millennium Challenge". From that time until today these services are perfected and become a daily routine in the relationship between business and tax administration.

The system of tax filing (e-filing) is a system funded by the USAID and consists of several sub-systems. Through this system is intended that all declarations and tax payments made electronically through the portal and are controlled electronically by the the General Directorate of Taxation. . In the context of facilitating the procedures of the declaration and payment of taxes for voluntary compliance of tax obligations, according to the article 65 of the Law No. 9920. Dated 19.05.2008 "On Tax Procedures," the tax declaration shall be made only through the electronic form since January 2010. The declaration of taxes, only through electronic form, includes:

- a) Tax declarations, which consist in:
 - forms of the declaration and payment of the VAT;
 - forms of the declaration and payment of the tax on income from employment;
 - forms of the declaration and payment of the profit tax;
 - forms of the declaration and payment of the personal income tax on small business;
 - forms of the personal income declaration
 - forms of the declaration and payment of social and health insurance ;
 - payroll declaration forms.
- b) Tax documents, which consist of purchases and sales books .

1. E-filing is a portal where each taxpayer enters in the system with his credentials (username / password), where can obtain information and can go to each subsystem for other actions such as:

- Books. The system performs the processing of tax books declared by businesses (sales and purchase books). This system generates a series of reports that

allow internal users (inspectors) of the tax administration monitoring of the process.

- VAT. The value added tax is a tax that applies on the consumption of goods and services. Taxpayers can fulfill the tax declaration of the VAT and submit it electronically.
- Profit Tax. Through the system is made possible the annual income tax declarations and financial statements.
- Payroll. This system enables all businesses to submit payroll electronically. This system collects, manages and distributes information electronically, facilitating the process of analyzing data, identifying negative aspects as well as facilitating the work of businesses related to social and health insurance and personal income tax. This system is intended to enhance coordination of institutions responsible for the administration of social and health insurance, to increase efficiency in the collection and management. The electronic exchange of information between the General Directorate of Taxation, Social Insurance Institute and Health Insurance Institute increases efficiency to identify evasion, illegal labor, and facilitates data management of institutions. On the other hand, this system has brought convenience for businesses who claim electronically payroll of their employees in a single portal to General Directorate of Taxation.
- Personal income tax, social and health insurance. When the taxpayer confirms the payroll, automatically filled in forms "personal income tax and social and health insurance " for this payroll, which are available to be printed. This is a assistance for taxpayers because it isn't necessary to prepare these forms manually.
- Declaration of personal income. The declaration system of personal income allows submitting annual statements of individual income through the tax portal electronically or in printed form (to complete manually). The system will check the submitted statements that they comply with relevant legislation. The system communicates with the Tax System to obtain information on the identification numbers of the foreign nationals. The system also communicates with the Ministry of Internal Affairs to obtain information on the number and identity of the individual data.

"E-filing" is implemented in accordance with Law No. 9887, dated 10.3.2008, "Protection of Personal Data".

2. E-Payment System (Electronic Payment) enables electronic payment of taxes. E-Payment system allows taxpayers to make tax payments electronically through two main methods: Direct Payment and E-Banking.

- Direct Payment: Through this method taxpayer elects the bank to perform the electronic payment and bank account through which the payment will perform without going to the bank portal. The taxpayer shall establish the authorized bank account to perform electronic payment for taxes. Also it will put the amount that he will pay and as a result will receive the message from the Bank, if the payment order is accepted or not.

- E-Banking. Once a taxpayer enters in the system will run on the bank's website and that it will perform electronic payment. While the tax website will take the message from the bank if the payment order is accepted or not. Taxpayers receive a phone message with a 4-digit PIN and the PIN should be made to the bank site, in order to identify the person and to proceed with payment.
- Electronic book of accounts (e-Ledger) shows all transactions that a taxpayer has realized over a period of time. It shows all tax declarations and payment of taxes. Through the generation of a word document, the system summarizes the history of all transactions of a taxpayer.

Mobile tax. The data, which are to my taxes will be opened by mobile. So the idea is that all e-filing portal will be in legible form to the mobile devices.

Taxpayers are provided with a unique code which can access the portal to declare taxes, to see their obligations, declarations history etc. .. The tax inspectors have access to check the accuracy and consistency of information in the tax books and tax documents through a system called TAX-CRM. So, this system allows to inspect and control tax acts performed by taxpayers through e-filing portal.

The tax control inspectors have access only to the reading of the data in the system (included their code in the system), and only one or two inspectors are authorized to cast the data forms prepared by the tax inspectors in cases where financial situations of taxpayers reassessed because of errors. Only in the Tax Department of Corporates, inspector, who make revaluation forms has access to their disposal. This process has not resulted successful for the following reasons;

- Personal archive not sure
- Non-continuous training of staff on the function of the casting system of data
- Lack of the chronology of protocol (a form can be easily controlled if it has a number of unique protocol, code, name, signature of authorized person)
- Authorized employees are irresponsible and inkopetente.

There is a project to implement this process at the respective Regional Tax Departments, but is not implemented due to the above problems.

The system data are stored and managed by an insurance company.

The Institute for Development and Research have conducted a study on "Knowledge and use of electronic tax services" drawing very important results in the initial stage of implementation (in early 2010) of the system as follows:

- 73% of surveyed businesses, which use electronic tax filing option, considered this procedure as easy or very easy.
- Businesses that do not use the electronic tax filing option, say the main reason (37%) why not use this procedure, is that they do not trust the documents submitted through the internet, while the second main

reason is that they do not know this service exists (28%).

After e-filing of taxes became mandatory by law, after two years of implementation of the "e-filing" system, during "November 2012- December 2012", a study is conducted by "Transparency and Free Information Centre " about the performance of services in public administration in the context of implementation of "Antikorrupsion Strategy" 2011-2013 as follows:

- Tax portal is used around 4 per cent in 2007, in 2008 reached 55 percent, while in 2012 amounted to 98 per cent.
- In 2010 about 42 percent of businesses reported the contact with tax officials once a month and 21 percent of respondents, less than once a month. While in 2012, about 36 percent once a month and 50 percent say they contact more frequently than once a month. The main reason for contact with the tax officials by respondents is to check the tax records at 82 percent. About 5 percent say it is due to the payment of tax arrears by the taxpayer. About 3 percent of respondents say they meet inspectors for reasons not related to their official functions. The growth of electronic services has helped to combat corruption by reducing contacts of citizens with administration officials.
- About 86 percent of businesses said they have easy downloading procedure of the tax declarations, while 11.9 percent of them have either easy or difficult this procedure.

- Problems encountered during discharge are are mainly stagnated during downloading of tax statements.
- In relation to the time spent to carry out e-filing, 79 percent of respondents claim to spend just a few minutes.

Reasons for implementation of the system are:

- Transparency system
- The elimination of bureaucracy because it is not necessary contact directly inspectors
- Saving time and administrative costs
- Avoidance of the tax evasion
- Simplification of procedures
- Equal treatment of taxpayers by the tax authorities.

3. THE TAX CONTROL REPORTS BASED ON THE TAX BOOKS

After the disclosure of the tax documents, it is the duty of inspectors to make statements control. The system creates the visual information for the control of these statements. The TAX-CRM system will generate a series of financial reports for the tax inspectors to assess and control the financial situations of economic entities.

As a key parameter for the reports will be:

1. Regional Directorate of Taxes, one or all
2. Tax period or interval tax periods

The head of each report is presented below:

Regional Directorate of Elbasan	Taxpayers: 895	From: Sep 2009 To: Feb 2010
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Report 1, Submissions
Books delivered, 727
Undelivered books, 168

Controls for the both tax books

Programmers have designed several types of checks performed by the system to achieve consistency between statements of entities, performing crossroads of bills and all the data between taxpayers.

Reports generated by the system and their primary keys are as follows:

- ❖ **Report 1:** List of taxpayers that have submitted books in due time - Both tax books are delivered.
- ❖ **Report 2:** List of taxpayers that have not delivered in time books – Taxpayers have not not delivered at least one of the books

- ❖ **Report 3:** List of taxpayers that have not delivered books – Taxpayers have not delivered at least one of the books
- ❖ **Report 4:** Purchase without sale - There are transactions in book purchases and declare "No activity" in book sales
- ❖ **Report 5:** No Activity - In one of the books or the two books together
- ❖ **Report 6:** Number of bills

Sale: 139.224 bills
Purchase: 122.111 bills

In this report is found undeclared tax bills in purchasing books, or tax bills have been declared more than once in selling books.

❖ **Report 7:** The incorrect TIN

No.serial	Date	TIN	Name	RDT	Value
19700335	05/01/2010	K716128P	Interdistribution Service	LTO	63,419,999.988
12345678	05/01/2010	R&T	R&T	LTO	123,456

 ❖ **Report 8:** Inconsistency between seller and buyer

This report will have value in the event that all taxpayers declare books.

SALE					PURCHASE				
No. Serial	Date	TIN buyer	Name	Value	No. Serial	Date	TIN seller	Name	Value
68692169	04/01/2010	K31608888O	X	17,098.76	68692169	04/01/2010	K71612899P	R&T	17,098.76
12345678	05/01/2010	K11715055R	Y	10,600,000	12345678	05/01/2010	K71612820P	R&T	10,000,000
87654321	05/01/2010	K62426066C	Z	640782.81					

Note: Key in this report is no. serial which connects sale with purchase.

How will operate this report?

A bill of the sale is declared by the taxpayer K71612899P to the taxpayer K31608888O with serial number 68,692,169. We seek to the purchase book of taxpayer K31608888O the tax bill with serial number 68,692,169.

If this bill is, then two comparisons will be made:

- TIN of the seller is K71612888P
- Sale value ALL 17,098.76 must be the same value of purchase ALL 17,098.76

If one of conditions is not fulfilled, the above table will be

 ❖ **Report 9:** Period <> Date

No. Serial	TIN	Name	Date	Period	Sale/Purchase	Value
68692169	Q12345678Q	Alfa	04/01/2010	Dec 2009	Sale	17,098.76
12345678	Q12345678Q	Alfa	05/01/2010	Dec 2009	Purchase	10,600,000
87654321	P12345678P	Gama	07/01/2010	Dec 2009	Purchase	12,34

Note: This report summarizes all bills declared by taxpayers, indicating whether they are sale bills or purchase bills, on which the date of the bill is different from the tax period.

❖ **Report 10:** No. Serial > 1

No. Serial	TIN	Name	Date	Sale/Purchase	Value
68692169	Q12345678Q	Alfa	04/01/2010	Sale	17,098.76
68692169	Q12345678Q	Alfa	05/01/2010	Sale	10,600,000
87654321	P12345678P	Gama	07/01/2010	Purchase	12,34
87654321	P12345678P	Gama	17/01/2010	Purchase	43,12

This report shows that the serial number of the tax invoice is used or declared more than once by the seller or is declared more than once by the purchaser.

❖ **Report 11:** Interruption of the serial number

No. Serial	TIN	Name	Date
68692169	Q12345678Q	Alfa	04/01/2010
68692171	Q12345678Q	Alfa	05/01/2010
78692180	J12345678J	Beta	05/01/2010
78692183	J12345678J	Beta	05/01/2010

Note: This report helps to understand why a taxpayer declares the sale bills within one month of interrupted serial number, concluding that the taxpayer did not declare sales, or the taxpayer has declared the tax bill incorrectly with the main aim to avoid taxation.

❖ **Report 12:** Outliers (extremely large)

No. Serial	TIN	Name	Date	Sale/Purchase	Value
68692169	Q12345678Q	Alfa	04/01/2010	Sale	89,170,098.76
68692170	Q12345678Q	Alfa	05/01/2010	Purchase	85,600,000

Note: value > 200% of the average tax period. Average = Total Value / Number bills

These are some of the tax control reports that are generated by the system to realize the intersection of bills. I am focusing in this paper only on the reports which are related to the taxpayer. By programmers is planned that the system generates reports concerning the measurement of the performance of Regional Tax Directorate.

4. ADVANTAGES AND DISADVANTAGES OF “E-FILING”

Advantages of the system are:

- ✓ Information processed by the system of tax information in a shorter time.
- ✓ Electronic declaration and electronic payment of taxes saves administrative costs, both in time and human resources by reducing the number of visits to the tax offices. At last report held by the European Commission for 2011 noted that electronic declarations used by the majority of businesses has reduced business costs around \$ 1 million and saving time by three months in a day.
- ✓ Facilities in the maintenance and management of the data for taxpayers.
- ✓ Access of taxpayers to their tax file performed easily at any time.
- ✓ This system offers the possibility of respecting the filing legal terms.
- ✓ The information is easily accessible.
- ✓ The growth of electronic services has reduced corruption by reducing contacts of citizens with the tax officials.
- ✓ This system offers the highest level of the control and security by ensuring the confidentiality, reliability, integrity, validity and security.
- ✓ Transparency and equal treatment of taxpayers.
- ✓ The elimination of bureaucracy and procedures.
- ✓ Intersection of the data and avoidance of tax evasion.
- ✓ Effective control of the data declared from taxpayers.
- ✓ The system minimizes errors of dumping the data, because the data from tax declarations are integrated into the tax information system. The data on tax payments integrated in the tax information system through the banking information system.
- ✓ The exchange of information between the General Directorate of Taxation, General Directorate of Customs, National Registration Center, Social Insurance Institute, Health Insurance Institute and the respective ministries has resulted successful.
- ✓ Electronic exchange of the information between General Directorate of Taxation, Social Insurance Institute and Health Insurance Institute increases efficiency to identify evasion, illegal labor, and facilitates the data management of institutions.
- ✓ Facilitation of the declaration and payment procedures, reduces the costs of voluntary tax compliance for taxpayers.
- ✓ Creating a sustainable infrastructure of the information technology guarantees high availability for taxpayers in order to enable payment of taxes through electronic payment process.
- ✓ Avoidance of the neglect and abuse of people in the maintenance of documentation through electronic storage

and transmission of data.

- ✓ Reduction of the mechanical work in the Regional Tax Directorate and banks to arrange the financial situation of taxpayers.
- ✓ When the taxpayer confirms the payroll, automatically filled in forms "personal income tax and social and health insurance" for this payroll, which are available to be printed. This is a assistance for taxpayers because it isn't necessary to prepare manually these forms.
- ✓ Intersection of data in real time as a premise for the prevention of the fiscal evasion.

Disadvantages of the system are:

- ✓ The latest updates and protection programs of the system are increasing its costs beyond expectations. This comes as a result of rapid technological development.
- ✓ The system requires good knowledge and continuous training of employees of the tax administration, which is costly.
- ✓ The system requires continuous updating in line with changing tax legislation, which is costly.
- ✓ The lack of disclosure of the substitute tax declaration in accordance with the law on tax procedures when the taxpayer carries errors in the tax declaration. Taxpayer realizes this action, with a request for adjustment to the relevant sections of the tax statements, which entity has completed incorrectly. Supervisory inspector makes intervention in the system to fix the system's financial situation.
- ✓ When the taxpayer confirms filing of the tax books, the system does not automatically completes forms of the value added tax. The opposite happens with the payroll.

At the time of the peak of declaration of tax documents, the system overloaded and blocked.

5. CONCLUSIONS AND RECOMMENDATIONS

The information of tax system is in continuous modernization. In the last three years have been the targets of programmers towards achieving a system comparable to developed countries, implementing global best practices.

Referring to advantages and disadvantages of the new system and procedures it offers, I recommend that the system updates must be done in real time.

Tax inspectors must undergo continuous training in the recognition of new laws and program innovations as noted that the new changes reported late to the inspectors, when are precisely those who should implement these new changes of the legislation.

A recommendation for improving the e-filing is the automatic completion of forms of the value added tax at the time when the taxpayer confirms filing of tax books, as occurs when the

taxpayer confirms filing of the payroll, automatically filled in forms "income tax personal and social and health insurance ". This would be one of the major achievements of this system, as form of the value added tax has about 33 possible sections to be completed. The automatic filling of sections of this form by using the information stated in the tax books will affect saving time and administrative costs to taxpayers.

So far, studies concluded that the system is operated so successful. The electronic declaration is regarded as a good practice that help enterprises to reduce administrative burden, reduce the cost and time, reducing the need for contact with the tax administration and minimize corruption. Tax administration, through electronic services, has helped to strengthen the rule of law, to increase transparency and improve services to taxpayers. These facts are confirmed by the European Commission. The process of tax filing is reduced from three months to one day, saving \$ 1 million annually. Electronic declaration aims to obtain real-time information on sales and purchases that taxpayers declare electronically, that has led to the reduction of the tax evasion.

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