



**XIX. International Balkan and Near Eastern Congress Series on
Economics, Business and Management
Plovdiv / Bulgaria**

April 08-09, 2023

**University of Agribusiness and Rural Development/Bulgaria
University "St. Kliment Ohridski" Faculty of Economics/Republic of North Macedonia
IBANESS**

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2023

Digitalization of the Economy: Challenges and Achievements of Fiscalization Implementation in Albania

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Abstract: The fiscal system implemented during the last decade (2009–2020) in Albania has resulted far from the expectations and standards used by EU members and has been the subject of frequent discussions. The necessary reform of the system according to the new fiscalization platform (2021), reports financial data in real-time and can contribute to the formalization of the economy by increasing transparency in the business environment and FDI-s, etc. The objective of the paper is to analyze the process and identify the challenges and achievements so far of the fiscalization reform in the Albanian economy. The analysis of the general data results that the new fiscalization platform offers a better adaptation to economic processes. The new digitalized system is based on the use of software, it is advanced and relatively easy to implement. While the concerns of small businesses facing some additional initial costs have not been considered, more support is needed for financial administration (taxes and businesses) on new tax practices, especially in rural areas.

Key words: fiscalization, informality, budget revenues, Albania.

1. INTRODUCTION

The successful implementation of the fiscalization process constitutes one of the current challenges of the Albanian economy. Institutions (eg the Ministry of Finance) and economic actors (eg chamber of commerce, etc.) have been its promoters, emphasizing that the implementation of the new platform can contribute to an increase of about 2–3 points (%) of Gross Domestic Product income. It is believed that until its full implementation and extension for a medium-term period, the process will affect the reduction of informality rates, increase the level of tax revenues in the state budget, and make it easier and more accurate to issue tax bills, etc. The new fiscal platform is implemented in a relatively difficult period for the Albanian economy, considering the successive challenges, such as damages caused by the earthquake (2019) and the social-economic consequences, the period of the Covid-19 pandemic, lockdown, growth slowdown, etc., which are also combined with the inherent logistical-digital and technical-administrative difficulties of using the new fiscal platform.

As a result, the business is faced with challenging processes and difficulties within a short period of time. Fiscalization reform and its implementation since January 1, 2021 (figure 1), has gradually influenced the improvement of the functioning of business-to-government, business-to-business relations (July 1, 2021), and business to consumer (on September 1, 2021).

Figure 1: Implementation stages of the fiscalization process.



Source: GDT and design of the authors.

The implementation of the new fiscalization process has been proactive and comprehensive. A number of entities have been subjected to the new technological approach, such as public institutions, banks, financial and non-banking institutions, etc., and all taxpayers who issue invoices for the sale of goods and services. The new system tracks the business by combining the e-filing portal in My Taxes, the Self-Care portal, and software installed by the business. The process for a company to be subject to taxation/fiscalization is characterized by a number of factors. The operator must be equipped with electronic certificates by applying through his own business credentials from e-Albania. This certificate can be obtained from ISA (Information Society Agency of Albania), the fee costs 4000 All, and is valid for a period of 1 year. The business operator for issuing tax invoices must be equipped with software connected to the new fiscal platform. The new technology

set required includes access to an electronic device, computer, laptop, tablet, phone, etc., and a stable internet connection. In addition, the connection with a non-fiscal printer or a cash register suitable for fiscalization should be ensured. The operator issuing invoices must be registered in the system 24 hours in advance. The new fiscalized invoice has a standard and is equipped with security elements:

1. NIVF — Unique invoice identification number;
2. NSLF — Invoice Issuer Insurance Number;
3. QR code — The barcode of the invoice that can be scanned from the mobile phone and leads directly to the Self-care portal.

Practically for every supply of goods or services, an electronic invoice must be issued at the time of supply of these goods and/or services. In the case of returned goods, the seller must make a correction invoice according to the return, and the document that accompanies the goods during transport must be exactly the correction invoice. In cases where there are purchases from individuals who are not registered with the unique identification number of the taxpayer, in the case of the fiscal platform, the buyer must provide his name and last name and an ID. With the implementation of the platform which is connected to e-Taxes, the data from the purchase and sale books that come out of the platform are used to complete the VAT declaration. While other declarations will continue to be made as before in the e-filling system. The issued invoices come with a status to be accepted or rejected, if the invoices are not accepted within the 10th of the following month, then they are automatically accepted by the system and go directly to the book as purchase or sale. Regarding the opening of new operators, the ID of the employee is obtained from the payroll of the economic entity.

If the employee is added to the payroll 24 hours before the start of work, in Self-care platform he/she will be added after 48 hours. The procedure has not been changed, only the method of issuing the invoice has been fully digitized. Therefore, documents with unused serial numbers must be handed to the tax administration. In cases when enterprises import goods/services, the customs declaration appears on the self-care platform. Based on the declaration, the entity creates the invoice itself within three days of the submission of the customs declaration. Compared to the previous system when the tax cash register was closed at the end of a workday, with the new system this procedure is no longer necessary as every transaction goes straight to the tax administration in real-time. Keeping in mind that an internet connection 24/24 is a must for the operation of the fiscal platform, and, if the enterprise for different reasons experiences malfunction with the internet connection, the Self-care platform will be unavailable to issue the invoice with the NIVF code. In such cases, it is mandatory for the enterprise to provide internet and to fiscalize the invoices not equipped with the unique identification number within 48 hours.

In case there is a malfunction of the device used to issue tax invoices, the tax administration makes available a separate book of invoices until the device is repaired or replaced with a new one. It is absolutely necessary that the invoices cut in the book are thrown into the self-care portal within 5 days. If the enterprise uses several devices for issuing the tax invoice, it is not necessary to issue an electronic certificate for each device, since the certificate is unique for the enterprise. From the procedural point of view, it is important to emphasize that when the tax invoice is issued, it must be checked whether it has been fiscalized or not, and this check is done by scanning the QR code. The invoice after fiscalization cannot be changed. However, if changes need to be made must be created a new invoice called a correction invoice to change the data of the fiscalized invoice. This is according to the fiscalization and value-added tax law.

2. THE NEW PROCESS OF FISCALIZATION — SOME CHALLENGES AND ACHIEVEMENTS

Referring to the number of employees and the level of the annual turnover of businesses in Albania, it results that most of the economic entities are micro-businesses. In total, they constitute a measure of about 88% of current businesses. During the process of discussions for the implementation of the new fiscal platform, the experts business representatives, etc., were in favor of the idea that small businesses should not become part of the system, based on the fact that this part occupies a very small weight in terms of income in the state budget. The arguments for this were the post-pandemic economic situation, lockdowns, etc., and the inclusion of small businesses that could be affected by the delays of the process. However, this suggestion was not supported by the relevant institutions and small businesses also became part of the fiscalization process. The new reform has increased the business costs, meanwhile, the business has to adapt to the new technology. To implement the fiscal platform and issue invoices through the Self-Care portal, the enterprises must either adopt the current tax register or use software solutions. In the event that the small business adapts the current cash register, they have to pay for the updated cash register, which costs about 50 euros, the cash register

maintenance costs about 43 euros/year, the internet card costs about 17 euros/year, and the issuance of the electronic certificate costs 4000 all/ year without needing a thermal printer as the case also serves as a printer. So the cost is around 130–140 euros/year. This is an approximate calculation from the experience so far of micro-enterprises assisted throughout the implementation of the fiscalization process. However, such processes may be characterized by other specific unpredictabilities (eg location, etc.). So, If for example, a new case is to be purchased, there is also the extra-cost of purchasing the case plus (figure 2), which costs, according to market prices, about 264 euros.

Figure 2. Adaptation of the previous case to the fiscal platform.



Source: <https://efiskalizimi-app.tatime.gov.al/>

Another possibility is to implement the fiscal platform through the use of a software company, in this case, the costs could be:

1. Buying a computer or tablet that costs approximately 10,000 –20,000 All;
2. Software solution 10,000 All;
3. Thermal printer 10,000 All;
4. Internet 12,000 All/year for a small line; And
5. 4,000 All/year electronic security certificate.

More specifically, the cost can be around 400 euros if you install the software solution on a tablet (figure 3) and around 480 euros if you install it on a computer (figure 4).

Figure 3. Installing the software solution on the tablet.



Source: <https://efiskalizimi-app.tatime.gov.al/>

Figure 4: Installing the software solution on the computer.



Source: <https://efiskalizimi-app.tatime.gov.al/>

3. RESULTS

During the first year of implementing the fiscal platform, enterprises generally reacted positively. Of the 118,627 active enterprises observed until the end of 2021, approximately 71,117 were fiscalized in total (table 1). The data are general and the sectors (eg agribusinesses) cannot be specified. Perhaps a comparison of similar data on fiscalization progress within a year in another country in the region or the EU where the reform has been implemented could be valuable at this stage.

Table 1: Progress of fiscalization of businesses in 2021.

Fiscalized businesses	71,117	59,9%
Non fiscalized businesses	47,510	40,1%
Total of active businesses	118,627	

Source: GDT and authors' calculations.

Meanwhile, it can take more time to observe the process if the implementation of the new fiscal platform will continue to have a positive impact on the income generated by businesses in the state budget. However, a comparative look at the short-term tax revenue from value-added profit tax, revenue from social and health insurance contributions, and revenue generated from personal income tax for the periods before the implementation of the fiscal platform and the period after that it can be valuable to understand the trends and dynamics. Therefore, we can refer more concretely to the year 2020, which is the year before the start of the implementation of the new fiscalization process, and the year 2021, which coincides with the first year of use of the new platform (table 2) and the dynamics testify to positive and growing economic indicators.

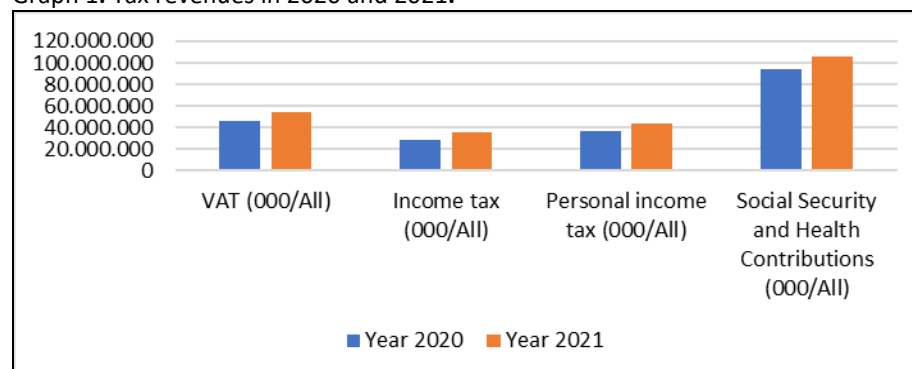
Table 2: Changes in the level of tax revenue in the state budget.

Tax revenue	Year 2020	Year 2021	The changes
VAT (000/All)	46,174,825	54,461,470	17.95%
Profit Tax (000/All)	28,358,795	35,664,554	25.76%
Personal income tax (000/All)	37,069,163	43,801,087	18.16%
Social Security and Health Contributions (000/All)	94,116,872	106,266,159	12.91%

Source: GDT and authors' calculations.

Thus, in 2021, with the beginning of the implementation of the fiscal platform, an increase in the level of VAT revenues in the state budget is observed (about 17.95%). In addition, revenue from profit tax is observed at a growth level of 25.76%. There is also an increase in personal income tax and social and health insurance contributions revenues. Accordingly, this increase is 18.16% and 12.91%. Summing up, we can say that the increase in these revenues shows that the implementation of the new fiscal platform has a positive effect on the increase of revenues in the state budget, fulfilling one of the goals of its implementation. So, the tax administration is expected to have higher control over business taxes. With the new system, the Self-Care platform now enables 24/24 monitoring of enterprises. In the graph below (graph 1), the difference in the growth of tax revenues in 2021 compared to the previous year 2020 can be seen more clearly. It should also be emphasized that 2021 is the first year of the implementation of the fiscal platform and, however, there are changes. Therefore, it is expected that the changes will be more pronounced in the following years when the new fiscal platform is implemented to its 100% extent.

Graph 1: Tax revenues in 2020 and 2021.



Source: GDT and authors' calculations.

From the analysis of the most influential factors in the new process of fiscalization in the Albanian economy (table 3), we emphasize that the expectations are that the new reform will affect the general increase in

economic performance, the strengthening of the role of economic actors and the increase in transparency. It represents an important development towards the digitization of the economy, contributing to the business environment, a possible attraction for foreign investments, and bringing the Albanian economy closer to the integration processes and the EU.

Table 3: SWOT analysis of the fiscalization project.

SWOT Analysis			
		Helpful	Harmful
		Strength	Weakness
Internal factors	Opportunities	1. Digitalization of the economy; 2. Increases revenues in the state budget; 3. Higher control over business; 4. Improve public services; 5. It is easier to prevent abuses; 6. Exchanging information between buyers and sellers; 7. Increases formality and decreases unfair competition; 8. Correcting fictitious inventories; 9. Business modernization 10. Fights fiscal evasion;	1. It increases business costs; 2. It requires internet 24 hours a day, the lack of internet causes the system malfunction;
External factors	Threats	1. Fiscalization as a preparatory measure for Albanian membership in the European Union;	1. The transitional phase of its implementation may cause informality as a result of a lack of information on the use of the system. 2. Monopolization of the fiscalization service delivery center.

Source: Analysis of the authors.

4. CONCLUSIONS AND RECOMMENDATIONS

The fiscal reform, based on this new platform undertaken for implementation in the Albanian economy, has led to a number of major achievements. The main effects on Albania's economy are positive and multi-faceted. It has influenced the efficiency of public services, offering the tax administration better monitoring of businesses and possible problems. The new platform has influenced the growth of pro-social behaviors and the climate of citizenship, encouraging trust in institutions, and making citizens and businesses protagonists in the prevention of abuses on the ground, especially in rural areas. During this time, the Albanian economy, in parallel with the digitalization of public services, has also improved the digitalization of the financial services system, making all services digital; this means that the new developments are steps towards a functional digital economy. The comparison made regarding tax revenues in the state budget for the years 2020 and 2021 shows a significant increase in indicators, reinforcing the idea that the new fiscalization platform has influenced the increase in tax revenues in the state budget. Within the general picture of the economy, the generation of real-time data on businesses can also serve as a resource for policymakers (eg local, and national) to better reason and formulate the necessary instruments in the transition towards a modern economy. In a digitized-modern economy, sustainability and acceleration of growth are based on institutional-professional capacities for adequate formulations and solutions.

The modernization of stakeholder networks (eg social innovations) and the sophistication of the environment (eg new networks) and businesses (eg technological innovations) also represent an important direction for the development of the economy in which the newly implemented fiscal platform practically contributes. Now enterprises are using pre-filled documents, eliminating errors, and above all, correcting fictitious inventories. Buyers and sellers can better communicate with each other in accepting and rejecting invoices through the Self-Care system. These are some indicators that testify to the expected increase in formality and decrease in anti-competitive behavior and unfair competition in the market, etc. Furthermore, the analysis (table 3) suggests that the fiscalization process is a necessary measure for the economy to also meet the standards of Albania's integration into the EU. Any new system that is implemented for the first time or the improvement of the existing one is also expected to create extra costs. Potential business concerns about extra costs are legitimate and offsets could have been a valid alternative. Good governance, professionalism and a pro-business culture should be the core of institutions. Some problems during the implementation in the use of the equipment have been initial, and can be neglected. Finally, the new system of fiscalization has been successful in EU countries in which it has been implemented, such as Croatia, Slovenia, the Czech Republic, etc., and the expectations are for a good performance in Albania as well. At this early stage of the reform anyway, the recommendations go for increasing the assistance on the new fiscal use for the tax and financial administration of businesses and especially for sustainability and cyber security. In the conditions of large uses of cash and the general fiscal culture in society, further research is necessary to examine the dynamics. However, a question of research interest remains: Will the new fiscal platform help formalize the economy?

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