

<b>MATRIX OF RECOMMENDATIONS</b>  <b>ON THE REFUND OF THE VALUE ADDED TAX (VAT) 2015-2016</b>			<b>INVESTMENT COUNCIL SECRETARIAT NOVEMBER 2016</b>
PILLAR	RECOMMENDATIONS	RESPONSIBLE INSTITUTION	TIME-FRAME
<b>I.</b>  <b>TIME-TERMS &amp; PROCEDURES ON VAT REFUND. RISK SYSTEM.</b>	<b>Recommendation 1. Respect deadlines set forth in the applicable legal framework.</b>  Automatic VAT refund should continue to be executed within 30 days for taxable persons that export more than 70% and between 50%-70% of their total sales value, according to the risk analysis, and within 60 days for all other taxpayers, again in accordance with the risk analysis. Conclusion of procedures within the ambitious deadlines set forth in the legal framework remains a challenge for the administration. Regardless of the fact that these deadlines can be somehow short, procedures should be carried out based on the following elements: <ul style="list-style-type: none"> <li>- Efficient risk analysis criteria, as in Recommendation No. 2.</li> <li>- Constant periodic training for the tax administration.</li> <li>- Obligatory interest on late VAT refunds for tax administration to businesses, in accordance with Article 76 of Law No. 9920.</li> </ul>	<b>GTD</b>	<b>Short-term</b>

	<p><b>Recommendation 2. Ease of the procedural burden for the tax administration and businesses.</b></p> <ul style="list-style-type: none"> <li>- Efficient application of the risk system to enable a reduction in practice of the number of controls, generally, of the tax administration (including controls on VAT refund). In this context cooperation and exchange of information should be strengthened between the GTD and the GCD regarding risk assessment on VAT refund, as part of plans to conduct joint analysis on risk in tax and customs offices.</li> <li>- Consideration of the risk elements in cases when the business has shifted within a certain period of time, for example, 1 year to full/thorough control to avoid the control on VAT refunds for tax periods included in this timeframe. This element should be acknowledged in internal guidelines for GTD inspectors.</li> <li>- Proper application of VAT refund principles when the taxpayer meets the basic criteria, for example the amount of 400,000 ALL and for 3 consecutive months. Practices when the requested VAT amounts are acknowledged as recoverable to the businesses, but not refundable on the basis of unreasonable doubts or not grounded on the legal framework should be avoided.</li> </ul>	GTD	Short-term
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	<p><b>Recommendation 3. Further simplification of procedures on VAT refund.</b></p> <p>Some of the businesses and experts contacted by the Secretariat go even farther in their suggestion to simplify the process through automatic VAT refund on monthly basis for every recoverable VAT amount. They are of the opinion that the risk of abusive practices can be fully avoided in this case through the conduct of thorough controls in accordance with the criteria of the risk system, real-time exchange of information between institutions, such as for example between tax and customs administrations, tax and NBC etc. From the Secretariat's viewpoint <u><b>such a reform should be seen as a long-term objective</b></u>, rather than as a realistic opportunity for short term implementation in the conditions when the administration and the businesses themselves are at very early stages of consolidating their activity to guarantee compatibility with the applicable legislation.</p>	MF	Long-term
<p><b>II.</b></p> <p><b>ADMINISTRATION-BUSINESS RELATIONS</b></p>	<p><b>Recommendation 4. Transparency over internal procedures in addressing VAT refund cases.</b></p> <p>It is suggested that an internal document on the tax administration is drafted and published – <i>Rules of procedure for the VAT refund</i>, detailing the fundamental principles and risk criteria, concrete steps, procedures and deadlines that various levels within the tax administration, including the Risk Department, Control Department and VAT Refund Department should bear in mind regarding this procedure. The document will enable the professional enhancement of inspectors, especially at the local level, but will also standardise the process from central to local level. The publication of these Rules of Procedure is recommended as an expression of high standards of a transparent, accountable administration with a view on taxpayers.</p>	GTD	Short-term

	<p><b>Recommendation 5. Improve information offered by GTD through an interactive website (including a helpdesk or hub) for businesses, to enable the fiscal education of taxpayers and increased transparency, but above all, to facilitate a more structured service.</b></p> <p>From the Secretariat's point-of-view and as businesses underlined, this information is indispensable, but remains basic and does not offer guidance for businesses' specific needs. It is necessary that information reaches taxpayers in a more structured way, be it via the official webpage or through online training sessions, at set times, for certain business categories. For example, it is difficult for the average taxpayer to surf the current webpage, even when searching for the most recent legislative amendments (2015-2016).</p>	<b>GTD</b>	<b>Medium-term</b>
	<p><b>Recommendation 6. Businesses need to further build "their capacities" in terms of receiving timely and accurate information regarding any changes that affect the environment they operate in.</b></p> <p>The analysis of the Secretariat and meetings with all stakeholders found that, in order to provide this service to the business, it is indispensable for business associations to perhaps engage "dedicated person," by putting at their disposal timely and accurate information that would enable a more structured discussion and consultation process about changes affecting the businesses.</p>	<b>Business Associations, Chambers of Industry and Commerce Business Community</b>	<b>Ongoing</b>

	<p><b>Recommendation 7 – Budget plans should not determine the tax administration’s decision-making for refund delays on recoverable VAT.</b></p> <p>This recommendation was presented during the Focus Group meeting of the Secretariat with experts of the area on 07.11.2016. It was admitted that the tax administration is conditioned in respecting VAT refund procedures, among other things, from the need to respect the plan of revenues generated from tax, as projected by the Ministry of Finance.</p> <p><b><u>According to the experts, the refundable VAT line must not be the responsibility of the tax administration, but must be planned as a separate budget line.</u></b> In this way the tax administration would avoid “conflict of interest” in accomplishing its revenue plan on one hand and respecting deadlines for the refund of the recoverable VAT.</p>	MF/GTD	Medium-term
	<p><b>Recommendation 8. Increase tax administration capacities through continuous and tailored training on specific procedures including the VAT refund.</b> <i>(Ref. IC Recommendation in Meeting No.2-Tax Inspection).</i></p>	MF/GTD	Ongoing
	<p><b>Recommendation 9. Integration and consolidation of the government agencies' services in e-Albania Portal.</b> Reduce time and costs for business while getting routine attestations and declarations from GTD, GCD, IPRO etc. Promote the Portal services in the respective administrations.</p>	MIAP	Ongoing

<p><b>III.</b></p> <p><b>ON INVESTMENT CLIMATE</b></p>	<p><b>Recommendation 10 – The reform launched in 2015, should be further structured, efforts for the enforcement of anti-informality measures should be improved.</b></p> <p>As the IC recommended during meeting No. 3 <i>“Informality as a common Government – Business challenge” every measure in the context of the formalization reform must take place in partnership with honest businesses.</i> Constant application of measures against businesses which carry out their economic activities without issuing tax invoices must be of priority. The application of such measures should not only be punitive, but educational at the same time, for all taxpayers, and should finally aim to provide proper conditions for fair competition.</p>	<p><b>MF/GTD</b></p>	<p><b>Ongoing</b></p>
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No.	OTHER RECOMMENDATIONS AS SUGGESTED BY THE MEMBERS DURING THE MEETING	TIME-FRAME
1.	Increase the number of human resources of tax administration as a necessity of offering to the business a fast and efficient administration	<b>Short-term</b>
2.	If the taxpayer has been subject of a full and deep tax-audit during the last year and not subject to the tax re-assessment, tax administration should consider this fact by proceeding with automatic VAT refund for the taxpayer without any further tax audit.	<b>Short-term</b>
3.	Increase fiscal education of taxpayers, aiming to increase their compliance with tax system.	<b>Ongoing/ Medium-term</b>

4.	IC through Secretariat to perform periodic assessments i.e Surveys with businesses on procedures, time-terms and issues on VAT reimbursement.	<b>Medium-term</b>
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Matrix of Recommendations *On the Refund of the Value Added Tax (VAT) 2015-2016 (The Matrix)* is the outcome of the Technical Note drafted by the Investment Council Secretariat during October – November 2016. The purpose of the Matrix is to provide a summary of the proposed Recommendations and Solutions. Besides, the Matrix serves as the Secretariat's Internal Monitoring Plan so that it follows up on the implementation of Recommendations as per the following terms:

- **Short-term**- from 1 month to 6 months.
- **Mid-term** – from 6 months to 1 year
- **Long-term** - over one year.
- **Ongoing**

#### **ABBREVIATIONS:**

**GTD**-General Tax Directorate

**GCD**-General Customs Directorate

**IC**-Investment Council

**MoF**-Ministry of Finance

**MIAP**-Ministry of Innovation and Public Administration