

Minutes of Meeting

IC Meeting II

5th October 2015, 16h00 – 18h00

October 8th, 2015

The IC Meeting II took place in the premises of the Ministry of Economic Development, Tourism, Trade and Entrepreneurship (MEDTTE), and chaired by Mr. Arben Ahmetaj, Minister of MEDTTE in its first part, and substituted in his absence, by Deputy Minister Mr. Ervin Mete.

I. Opening of the Meeting

The IC Chair, Mr. Arben Ahmetaj welcomed the participants, and with the participation of the majority of the participants, the meeting was considered opened.

According to the approved agenda, the Chair opened the discussions on the Tax Inspection & Draft Law on Bankruptcy.

Regarding the Bankruptcy Law, the Minister appreciated the collaboration with the Bank of Albania and international institutions for the work done in the context of NPLs. The Minister highlighted that the Government does not consider this reform only to improve the numbers in the banking system, but also as battle, referred as the “rule of law”. Special recognition was given to the Governor of the Bank of Albania for his personal and institutional engagement in this package.

According to the Minister, the Investment Council will help the Bank and the Government with concrete propositions at the right time to help the authorities in improving the legal framework and actions that will need to be taken.

II. Summary of the Discussions

The discussions were focused on the following:

1. Tax Inspection

Head of the Secretariat, Ms. Leka delivered a presentation on recommendations prepared by the Secretariat for the improvement of Tax Inspection procedures. Some specific comments in regard were as follows:

- The Chair appreciated very much the analysis and the recommendations provided and informed that the government is considering to start an information campaign, probably in the following weeks. A big event will be organized with around 300 big companies, to inform them on informality actions, but above all to inform on the new risk management platform that the tax department started to use officially only 10 days ago;
- The Chair proposed:
 - to write directly to the Minister of Finance on behalf of the Council and put forward all the recommendations that have come from the business promising to participate personally as the Minister responsible for the economy and on behalf of the businesses;
 - underlined that the Investment Council should be seen as the main Forum where consolidated recommendations and proposals are to be provided by the business;
 - highlighted the need to add the element of communication with the public, and the element of precedent, meaning that a treated case is to be considered as a precedent for the future cases which should be treated under the same exact conditions;
- Ms. Sakiqi commended the work done by the Secretariat while suggested setting a timeline for the implementation of the recommendations prepared by the Secretariat, in order to monitor which recommendations have been realistically taken into account, what is the deadline for all the steps to be taken in order to have a final product of which the Council has agreed and the private sector is happy about. The Minister backed this suggestion, and confirmed that for the planned budget for 2016, some of the elements presented in this meeting will be put into execution. Although they might seem like common elements, it is good that the Secretariat has structured them in the recommendation list. In addition, the Secretariat explained that a Matrix of findings and recommendations with a proposed timeline for implementation had been attached as an Annex to the respective analysis on Tax Inspection;

- The Chair noted the fact that this is the first meeting holding discussions on tax system where the issues of tax rates is not raised but the focus is on the tax procedures. Additionally, from the Survey results there has been no contestation on the tax procedures legislation amendments included in the package against informality. Regarding the concerns about the performance of the tax inspectors and also others raised on Tax Inspection including the Tax Appeal process it was stressed that these are also the Prime Minister's concerns in the campaign against informality. The Government is working to change also the legal framework on which the fiscal academy is working, being a very important issue in training tax and customs inspectors, therefore reiterated the Council's comments are very much welcomed to be integrated in this context;
- In addition, Mr. Jaka express his concerns to the Council on the intervention with accelerated last procedure regarding the tax procedure law burdening the business with maximum fines and penalties, which unfortunately was not subject of prior consultation with the business. Mr. Jaka declared that CCI Tirana has not supported this action. The Government through this accelerated procedure has passed a law which seriously affects the status and profile of the entrepreneurs. CCI Tirana supports the formalization of the economy, but at the same time recommends to be the right partners with the private sector through dialogue and consultation before any proposition or law dealing with the business/entrepreneurship is being passed. Mr. Jaka appreciated very much the Secretariat for the excellent work performed, but he also expressed his scepticism on endorsement by the Government of the results of this work.

In this regard, the Deputy Minister, Mr. Mete, informed the Council that not only the Minutes of Meeting are, as part of the procedure, submitted to the Prime Minister's Office but as declared previously by the Minister, the Council will submit formal proposals to the Ministry of Finance, to be formally reviewed and answered on the basis of arguments whether they can be included in the fiscal package.

- Ms. Tahseen Sayed raised two issues:

- The source of the recommendations. The majority of the recommendations raised by the business are more about the administrative procedure on Tax Inspection but no particular structural views coming about the way the tax system is being managed;
- Some of the responses in the survey are extremely disturbing, especially regarding the business confidence to the Appeal system, deducing that this could mean that the business during the entire campaign against informality is going to face a lot of challenge because the fair play in the system and even the playing field will be jeopardized.

The Head of the Secretariat explained that the concerns on Tax Appeal had been initially evidenced in different reports from Business Associations and International Organizations, and further supported by the Survey of the Secretariat. In addition, it was explained that the question in itself contained an evaluation from 1 (very effective) to 5 (very ineffective). The responses as 'very effective' and 'effective' had been grouped as positive answers while 'somewhat effective', 'ineffective' and 'very ineffective' grouped as negative answers. The negative answers amounted up to 63%. Therefore, these results urge the need for intervention and independence of appeal review;

- In the end, FIAA declared being in favour to extend the certification of financial reports from well-known auditing companies, in order for the businesses to be considered with low risk rates in the tax system, and also introduce some incentives for the correct taxpayers. In addition, FIAA proposed further limitations to the use of cash as an action against informality.

2. Presentation on the new Risk Module

In relation to the agenda item of Tax Inspection, a brief presentation on the new Risk Module was delivered by Ms. Anora Topi, Director of Risk Management Department at GTD, who before starting the presentation stated that:

- GTD is already aware of the weaknesses in the area of tax administration, however, they are making efforts for improvement.
- The tax administration is in a reform process, trying to modernize and have the best practices orienting toward OECD models and European Directives. This has been the first year that the new IT system has been implemented.

- The new risk assessment system has just begun implementation. By the end of the year, Tax Administration will have a new organization structure.
- Before launching the new risk model, there has been a lot of testing to ensure the well-functioning of the process. The whole process has been supported by IMF. The main pillars of the risk model are: computerized module that assesses the risk of all the tax payers, transparency of the legal framework, education service and collaboration with all the taxpayers and their representation in all the processes, capacity building of the human resources of tax professional inspectors, and finally auditing.

Regarding the new risk module, a comment was raised by Ms. Sayed whether the tax department is set up in terms of providing and using information technology and IT systems to get data responses from the tax inspectors in the field, considering that the model needs quick data entry points; whether there is any live dynamic system on the ground already. Ms. Topi informed that the new IT systems provides feedback in real time. Tax inspectors have to inform the Department in real time what is happening and this is the most important part of their work.

3. Draft Law on Bankruptcy

In the second part of the meeting, the Deputy Minister opened the discussions about the draft Law on Bankruptcy, being worked intensively by IFC, which was thanked and congratulated in particular by the Deputy Minister for the good work.

Ms. Elira Sakiqi, informed the Council that until that moment they had received comments from 9 interest groups and of course welcomed comments that might be raised during this meeting, which could be added to this draft law.

The work had begun more than a year ago. There have been organized 37 round tables with all the potential stakeholders, and 6 drafts had been prepared in regard, hopefully the sixth one will be the final one. For this draft, the IFC had arranged four focused round tables with all the stakeholders. IFC expressed its thankfulness to all the institutions and to the interested stakeholders who not only were present in the round tables but also for their valuable comments.

Following this information, Ms. Marjana Semini, who leads the team of experts from IFC, directly involved in the drafting process, delivered a brief presentation on the novelties of the draft law on bankruptcy.

Afterwards, there were no comments raised from the IC Members regarding this draft law.

III. Approval of the Recommendations

In this part of the meeting, Ms. Tahseen raised the question whether the recommendations will be sent as general recommendations to the Minister of Finance. If they are sent for implementation then a thorough look is deemed necessary, requiring more review and study. The Head of the Secretariat explained that the full report distributed in the meeting provides a good analysis of the recommendations, and why they are being proposed, but as this report had not been shared in advance with the members the deputy minister suggested to give enough time to the IC Members to go through all the materials prepared by the Secretariat, and send their comments by e-mail, in order to approve the recommendations.

Regarding Insolvency Law, the Deputy Minister informed that this draft is part of the action plan agreed with Prime Minister and Bank of Albania and it has specific timelines to move ahead. No comments were raised by the members regarding the draft law on bankruptcy.

IV. Other issues

No other issues were discussed during the meeting.

V. End of Meeting

The Investment Council congratulated the Secretariat for the qualitative and hard work it had performed. The meeting was closed at 6:00 pm.

Annex 1: The Agenda of the Investment Council Meeting – 5 October 2015

Annex 2: List of Participants

Annex 1

AGENDA

INVESTMENT COUNCIL MEETING II

Date: October 5th, 2015 **Time:** 16h00 – 18h00

Venue: Ministry of Economic Development, Tourism, Trade and Entrepreneurship, Meeting Room – Floor IV

16:00 – 16:10	Opening Speech Welcome and Presentation of the Meeting Agenda Mr. Arben Ahmetaj, Chair of the Investment Council/Minister of Economic Development, Tourism, Trade and Entrepreneurship
16:10 – 16:25	Propositions for the Improvement of the Tax Inspection Process Presentation of the findings from the analyses & survey and relevant recommendations Ms. Diana Leka, Head of the Investment Council Secretariat
16:25 – 17:00	Focused Discussions All
17:00 - 17:15	Presentation of the Novelties in the Draft Law on Bankruptcy Representative from the IFC
17:15 – 17:45	Focused Discussions All
17:45 – 17:55	Decision of the Council on the Recommendations for the: <ul style="list-style-type: none"> • Tax Inspection • Draft law on Bankruptcy
17:55 – 18:00	Closing of the Meeting Mr. Arben Ahmetaj, Chair of the Investment Council/Minister of Economic Development, Tourism, Trade and Entrepreneurship

Annex 2

List of Participants

Government Representatives

1. Mr. Arben Ahmetaj, Chair of the Investment Council/Minister of Economic Development, Tourism, Trade and Entrepreneurship
Mr. Ervin Mete, Deputy Minister of Economic Development, Tourism, Trade and Entrepreneurship, acting in absence of the Minister, Mr. Arben Ahmetaj
2. Mr. Gent Sejko, Governor of Bank of Albania
3. Ms. Ermonela Felaj, Minister of State for Relations with the Parliament
4. Mr. Xhavit Curri, General Technical Director & Ms. Anora Topi, Director of Risk Management Department, acting in absence of General Tax Director, Ms. Brisida Shehaj
5. Mr. Genti Beqiri, Executive Director of AIDA

International Partners

1. Mr. Yngve Engström, Head of Cooperation of EU Delegation in Albania
2. Ms. Tahseen Sayed, Managing Director of World Bank Office in Albania
3. Elira Sakiqi, Senior Country Officer at IFC
4. Mr. Ilir Basha, Associate Banker at EBRD RO, acting in absence of Head of EBRD RO, Mr. Christoph Denk

Business Community

1. Mr. Nikolin Jaka, Chairman of CCI Tirana
2. Mr. Silvio Pedrazzi, President of FIAA
3. Mr. Christian Canacaris, Chairman of Albanian Association of Banks
4. Ms. Lindita Legisi, President of Omega shpk
5. Mr. Adamantios Frantzis, General Manager of TITAN ANTEA CEMENT

Absent:

1. Mr. Bledi Çuçi, Minister of State for Local Government/National Coordinator of the Anticorruption Strategy
2. Ms. Pranvera Fagu, Director of General Directorate of Customs
3. Mr. Vasil Naçi, President of AGNA GROUP