

FINDINGS OF THE SURVEY ON INVESTMENT CLIMATE ISSUES

**INVESTMENT COUNCIL MEETING
6 DECEMBER 2017**

Perceptions & Experiences

AGENDA

- **I. Introduction**
- **II. Profile of Responding Companies**
- **III. Findings on:**
 - **Tax Inspection**
 - **VAT Refund**
 - **Relations with Tax Administration**
 - **Informality**
- **IV. Conclusions**

I. INTRODUCTION

Object of the Survey:

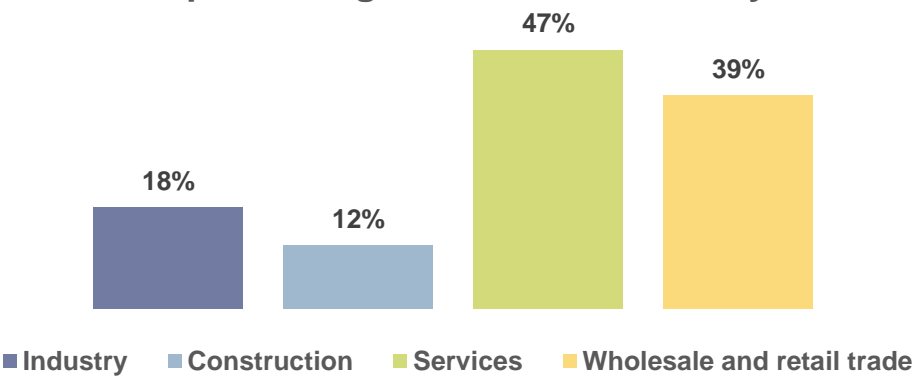
- Identify the progress on some main business concerns related to some aspects of investment climate, specifically focusing on:
 - Tax Inspection and Relations with Tax Administration
 - Informality
 - VAT Refund

Methodology:

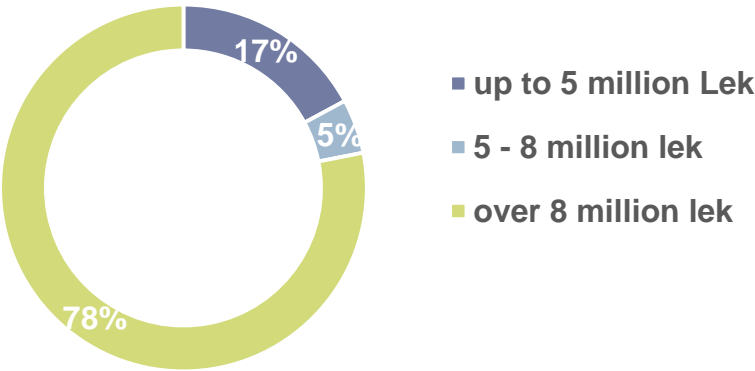
- Surveys filled in randomly by 146 businesses
- Online anonymous/semi-structured surveys
- Published in Albanian and English in the IC website and Epoka University (July-September 2017)
- Sent by e-mail to 8000 companies (list received by NBC, GTD, Epoka University).
- Contacted by phone around 1000 companies.
- Collaboration with EPOKA on raising business awareness, assistance in data processing.

II. Profile of Responding Companies

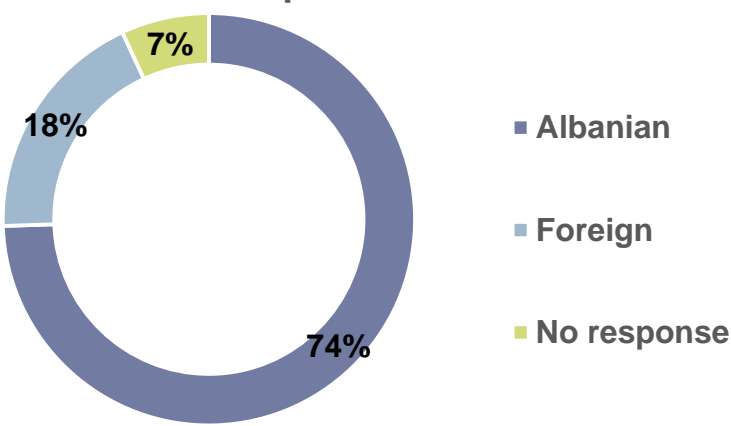
Representing Sectors in the Survey



Size of the Business



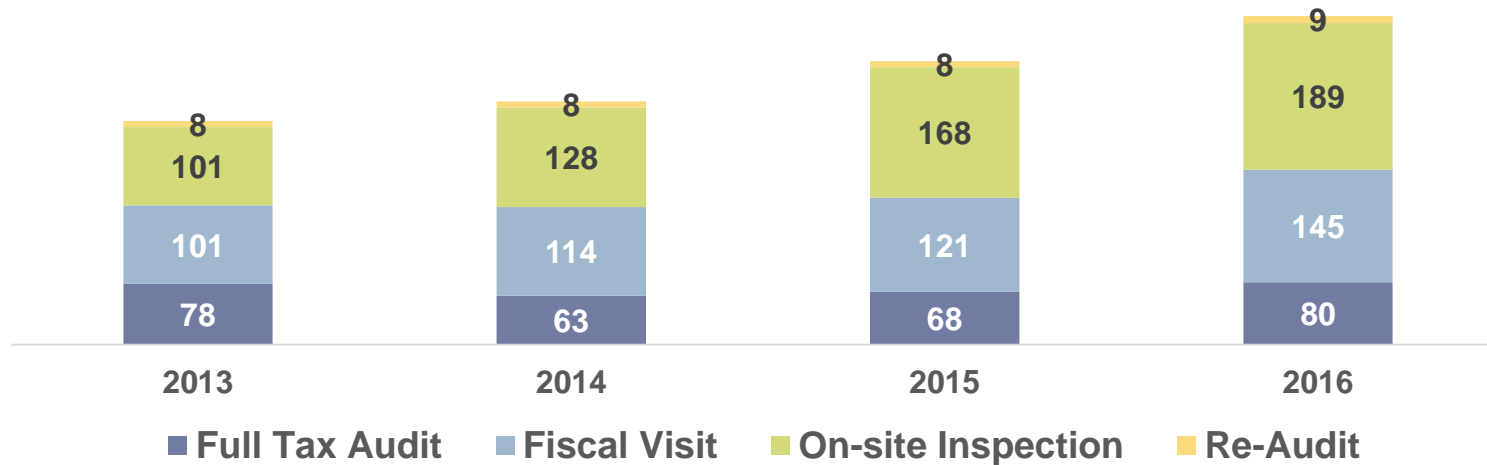
Ownership



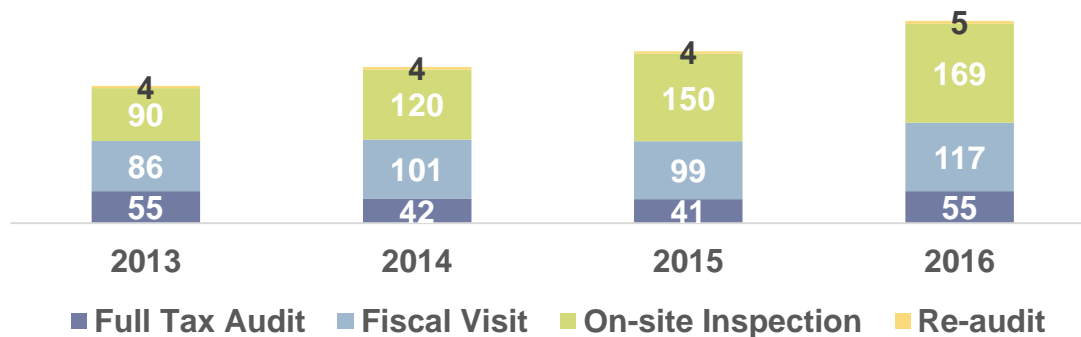
FINDINGS

III. Number and Nature of Tax Inspection (2013-2016)

Nature of Tax Inspections



Businesses with turnover over 8 million
- Nature of Tax Inspection

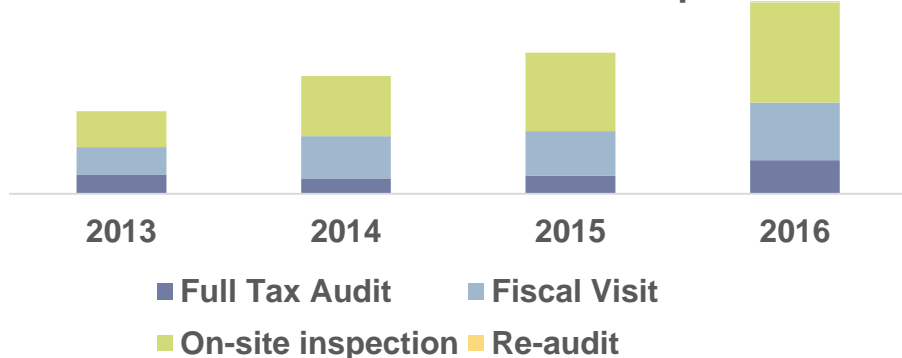


Increase in the number of inspections during 2016 (mainly for the business with turnover over 8 milion lek).

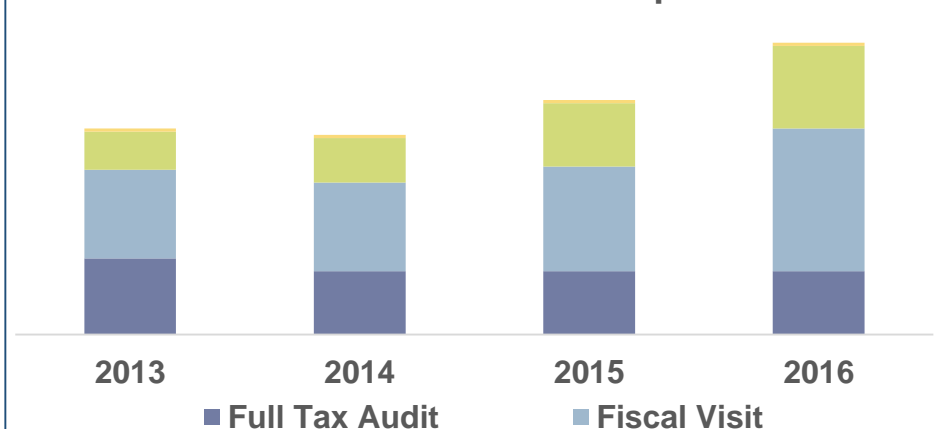
A significant increase in the number of on-site inspections and a slight increase in fiscal visits.

III. Tax Inspection – As per Sectors

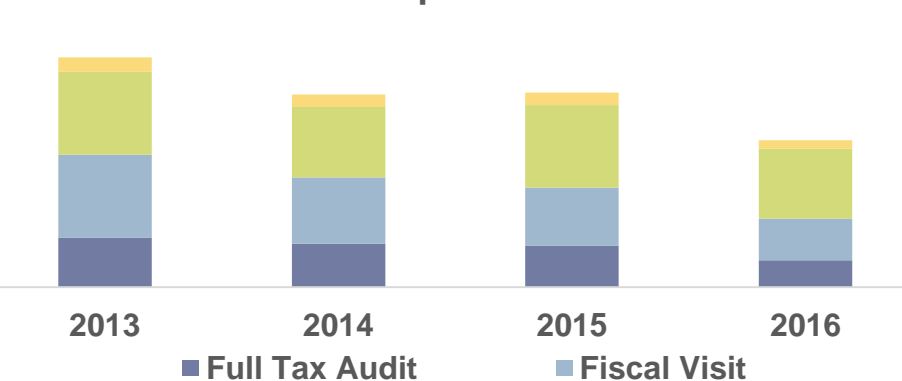
Trade - Nature of Tax Inspection



Services - Nature of Tax Inspection



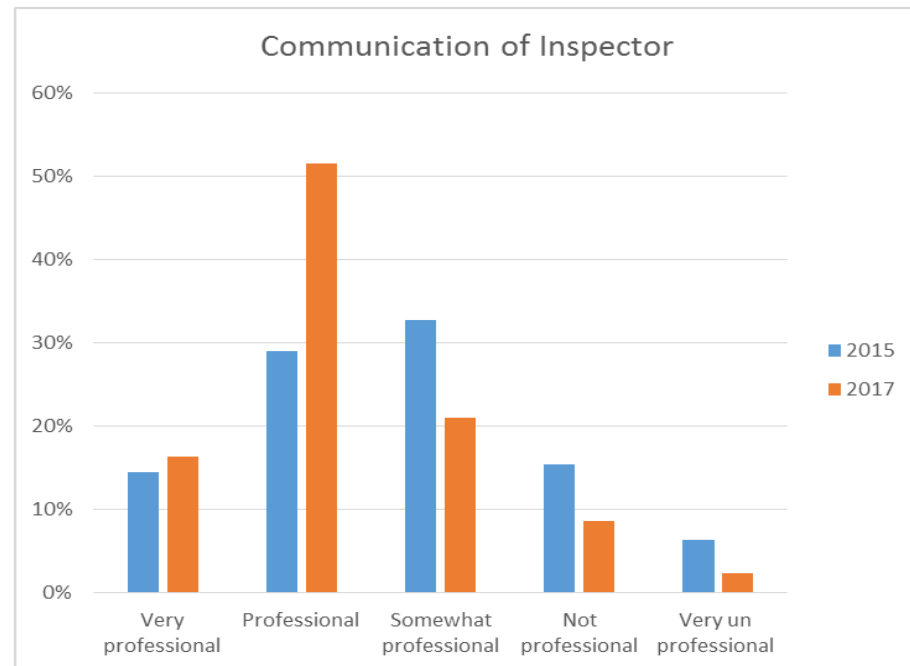
Manufacturing Industry - Nature of Tax Inspection



- Services have experienced a high number of inspections, especially on-site inspections;

- Manufacturing industry reports a significant decline in inspections.

III. Professionalism of Tax Inspector & Clarity of Tax Report 2015 – 2017

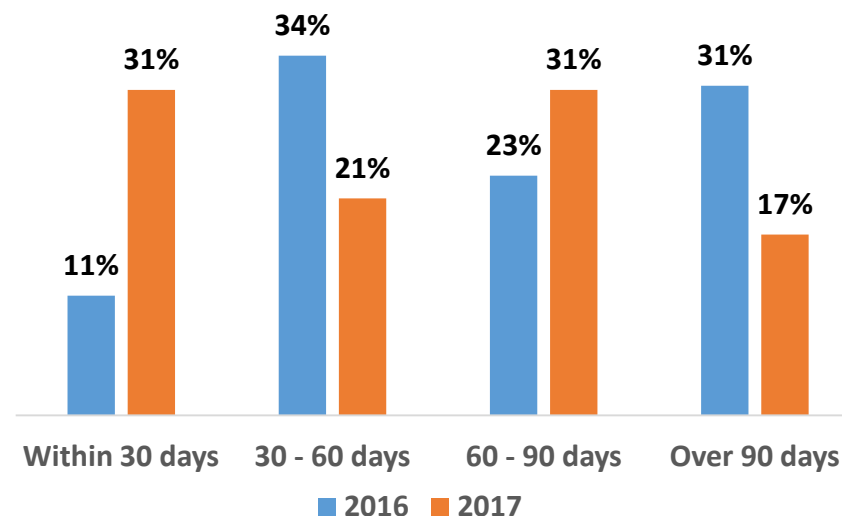
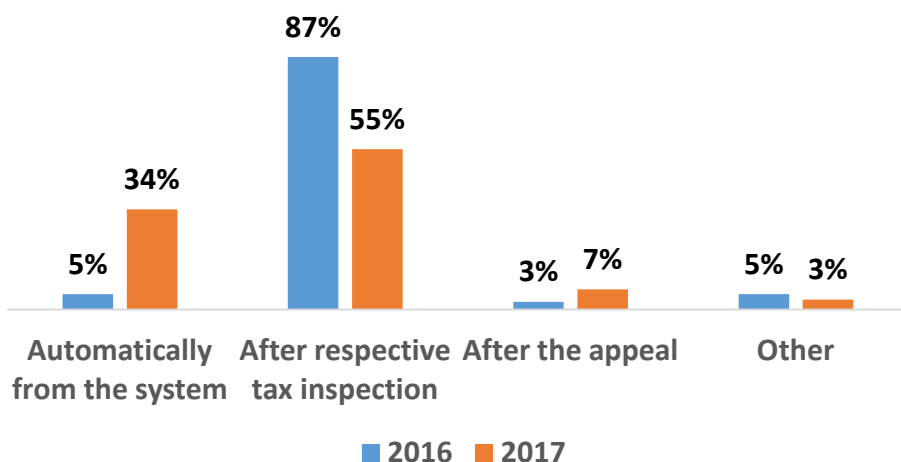


It is noted a significant increase in the rating of “professional” in business relations, especially in terms of communication and ethics. But, companies put in question the “logistical” support provided to the inspector.

*In addition, it is noted a positive assessment in general regarding the quality of the tax report, however there are still reported problems especially in regards to the **content** of the report and its **findings/conclusions**.*

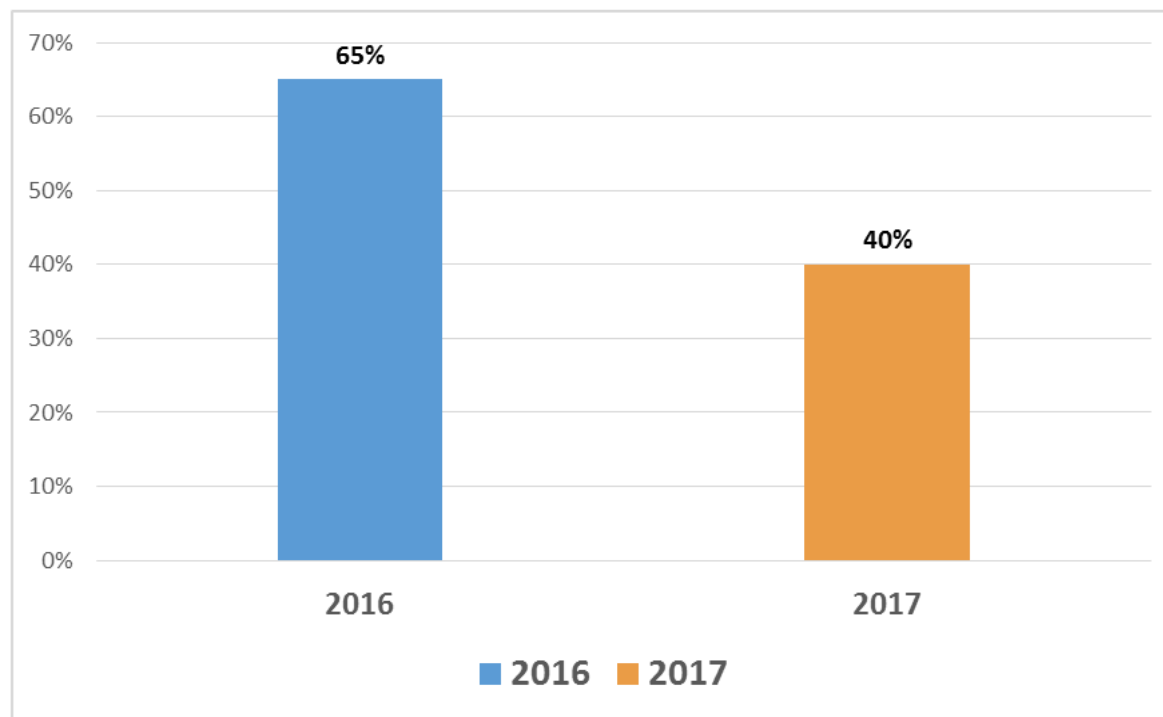
III. Procedures and Time Duration of VAT Refund

VAT refund obtained:



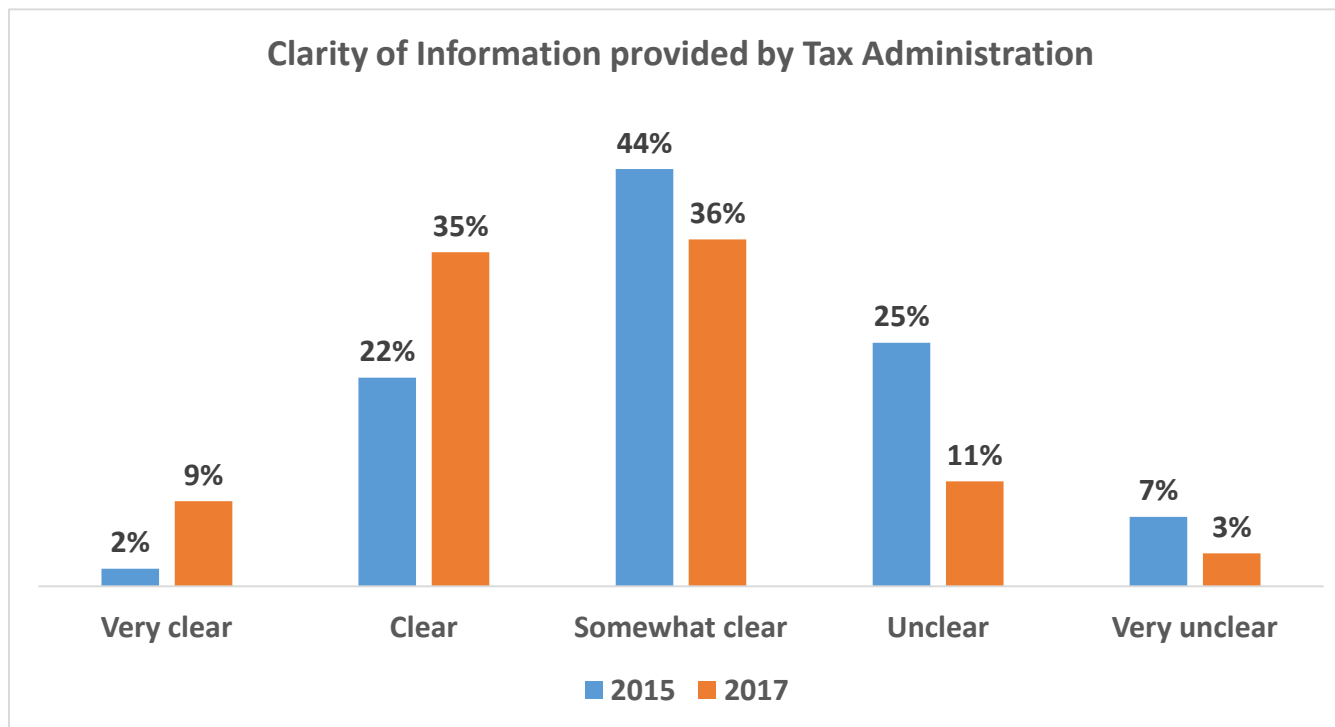
- 32% of exporting companies (53% of them exporting over 70% of sales) filled in the survey;
- 22% or 32 companies have applied for VAT refund;
- A significant increase in the responses compared to 2016 for having received automatic VAT refund for 2017;
- Improvement in meeting the VAT refund deadlines, it is noted an increase in the number of refunds within 60 days and a decrease in the number of refunds over 90 ditë;
- Reported inspections after the automatic refund by companies exporting over 70% of sales.

III. Does the VAT refund process affect the exporters in the decision to invest?



In 2017, in regards to VAT refund, exporting companies seem less affected in their decision to invest, compared to the feedback received for this category in the IC Survey 2016.

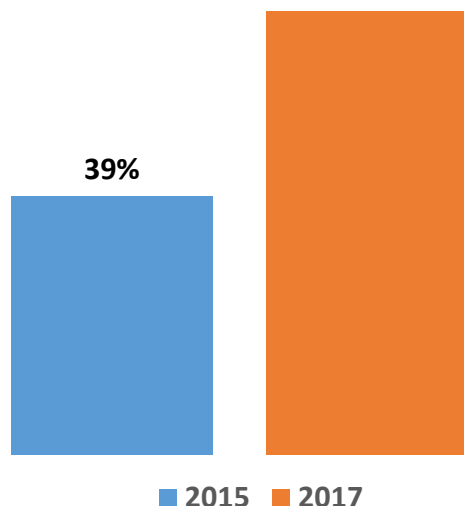
III. Clarity on the Information provided to Taxpayers



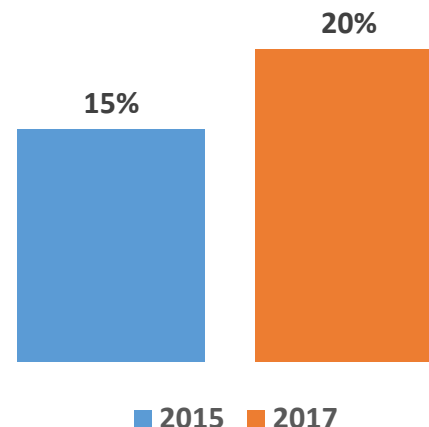
A significant improvement is noted in the responses of companies in regards to information received by Tax Administration. We believe that this is linked to improvements in communication and services approach of tax administration toward taxpayers during 2016 – 2017 (there is still room for improvement).

III. Business Awareness on the Risk System and Trainings offered by Tax Administration

Are you aware of the risk module?
67%



Have you received any training by Tax Administration?
20%

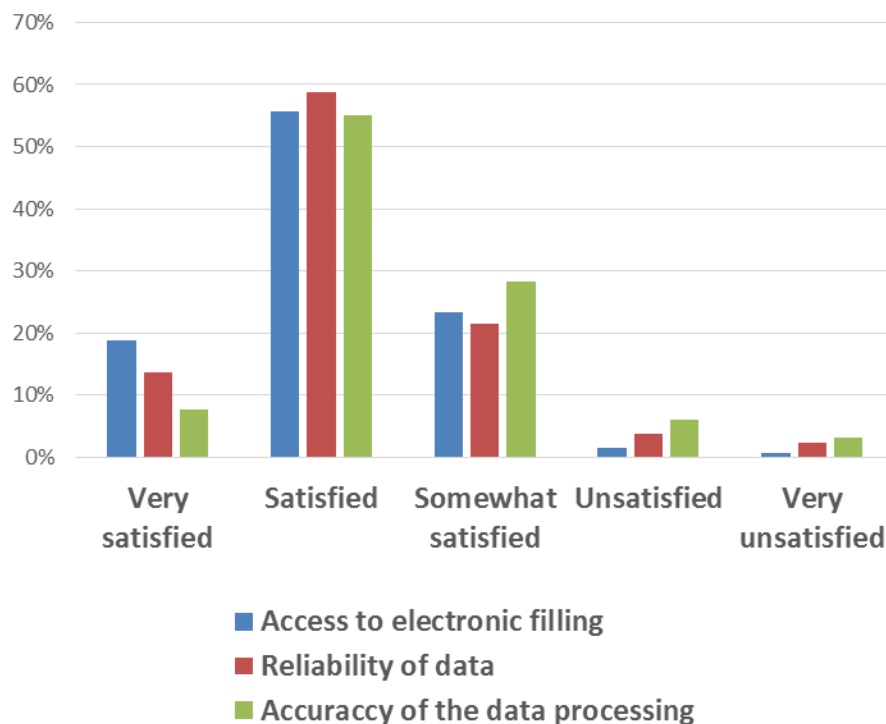


There is a significant increase in the taxpayers' awareness about the Risk System and selection for inspection based on it. We think that it is related also to the starting of application of the risk system itself and the awareness raised among taxpayers about it in the last 2 years.

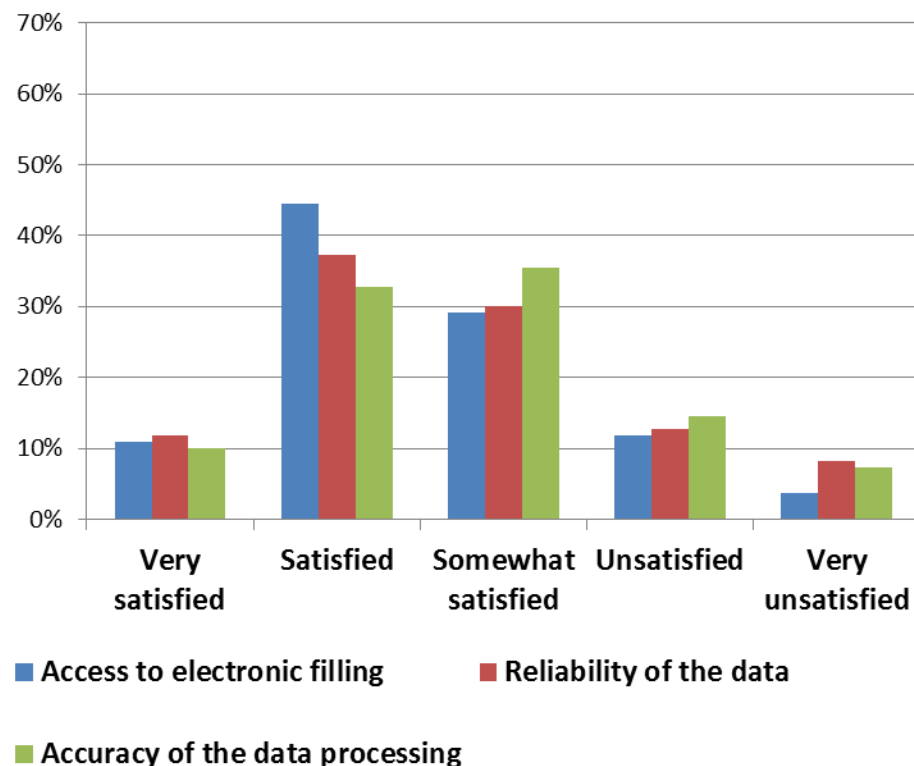
A slight increase of trainings reported by the business in the IC Survey 2017, corresponding also with a more positive interaction with Tax Administration. Mostly mentioned, trainings on the electronic reporting, VAT, etc.

III. Assessment on the Satisfaction from e-tax Services

2017



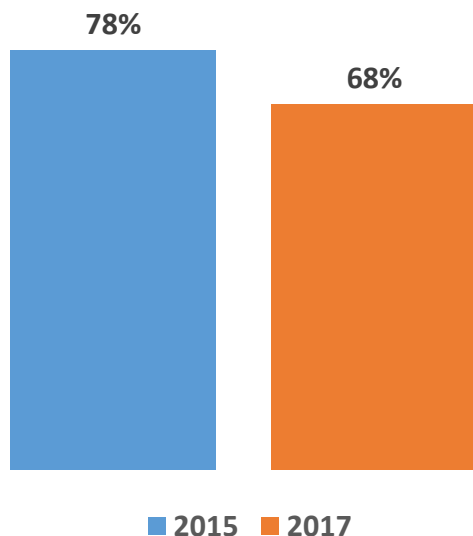
2015



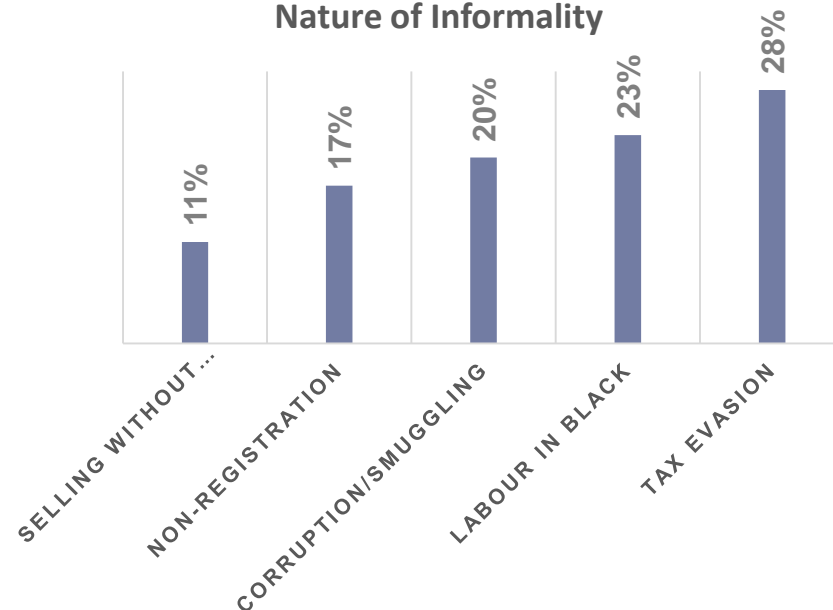
Satisfaction from e-tax service is visibly higher in all the assessed aspects, such as access, reliability and accuracy in data processing.

III. Do you face informal competition in your activity sector and in what form?

Companies facing informal competition



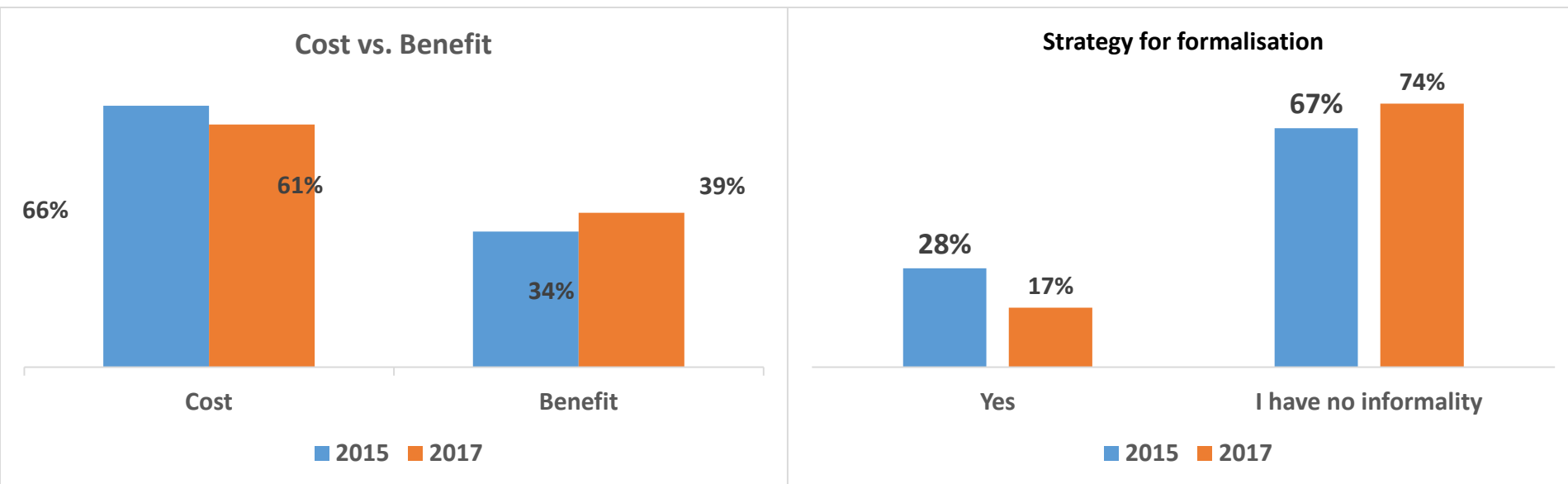
Nature of Informality



Companies seem to have experienced a slight decline in the competition from informal activities, which is still perceived at high levels and a concern for the economy.

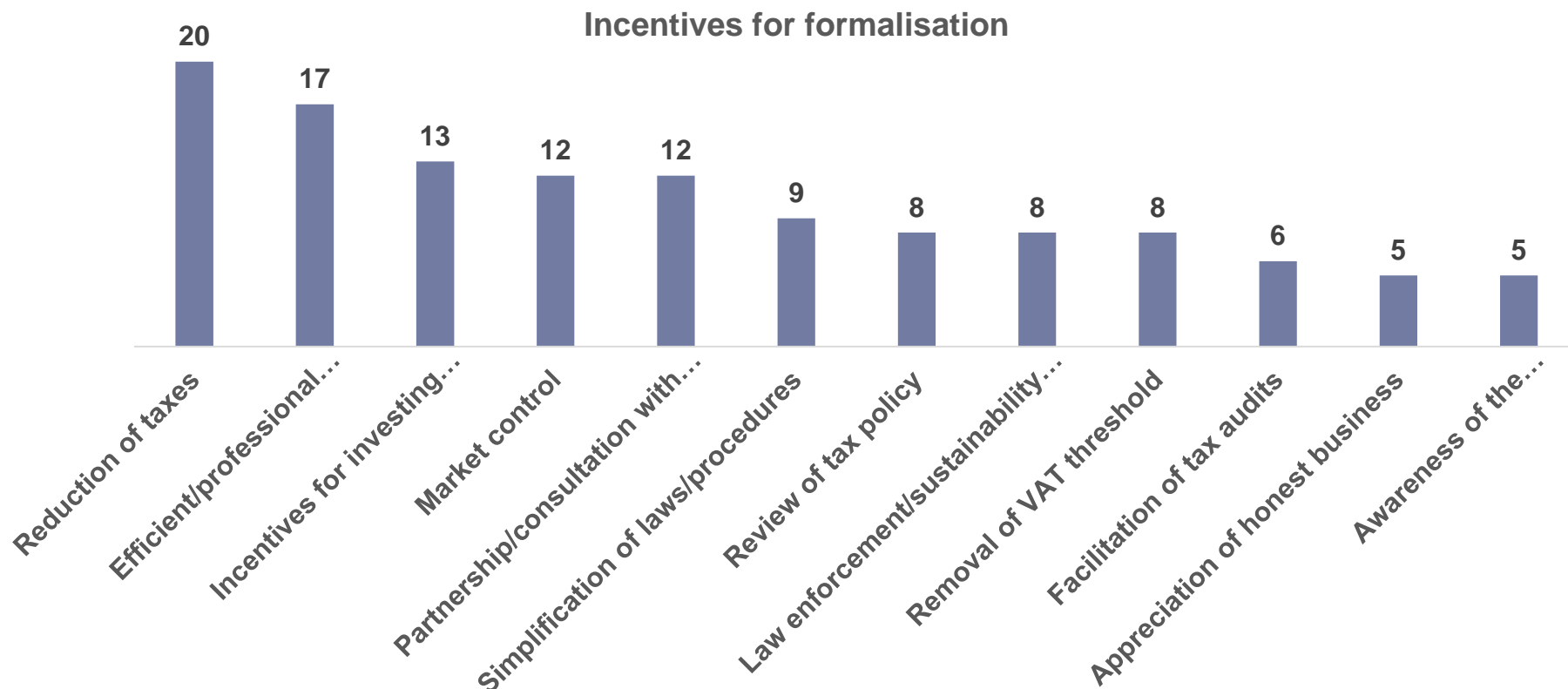
For 2017, companies perceive that fiscal evasion is the most frequent kind of informality, followed by undeclared work. Undeclared work is shown in the same levels as in 2015, meanwhile there is a decline in the phenomenon of unregistered companies. There is a decline in the perception for corruption/smuggling compared to 2015 although it remains in high levels.

III. From your perspective, is there more benefit or cost for being informal?



In both periods (2015, 2017), being informal is considered by companies as a cost, especially in the long term. Although they claim to be facing informal competition, the majority do not state having informality in their business activity.

III. Suggestions from the Business, Incentives for Formalisation in 2017



Besides the traditional demand by the business for tax reduction as an incentive, a new item compared to the 2015 IC Survey is the demand from the business for consultation and sustainable partnership with the government. It is being emphasized the improvement of the efficiency of the tax administration, simplification of the legislation and incentives for investment.

Conclusions

Changes in the nature and dynamics of controls in the most risky sectors.

Improvements in the professionalism of Tax Inspectors and quality of Tax Inspection Report. There is still a need for investing and capacity building in the tax inspection administration in better responding to business needs.

Significant improvements in meeting the VAT refund deadlines, increased the number of automatic refunds for exporters but it still remains to be monitored the further consolidation of procedures for as long as there are claims from the business for inspections carried out after obtaining VAT refund.

There is an increase in the transparency and communication with the business in regards to the reporting, access in time and quality of information. Remains a challenge to increase the companies' knowledge on the dynamics of the fiscal legislation. It is very important to continue with the digitalisation of services toward taxpayers.

There is a perception in the declining of the informality compared to 2015, meanwhile the threshold for income tax/VAT, relationship with the administration and application of law remain key factors influencing informality.

The reducing of administrative burden, the increasing of administration's professionalism but also incentives for compliant and investing companies are some of the main business concerns to increase the formalisation of the economy as well as the private investments.

THANK YOU!

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