

MATRIX OF RECOMMENDATIONS ON FORMALIZATION AND COMPETITIVENESS IN THE TOURISM SECTOR		INVESTMENT COUNCIL SECRETARIAT October 2018	
PILLAR	RECOMMENDATION	RESPONSIBLE INSTITUTION	TIME-TERM
I. STRATEGIC APPROACH	Recommendation 1. Finalization and the approval of the Strategy of Tourism. a) Aligning of the objectives between MTE and MFE with regard to the actions, concrete measures and responsible agencies to tackle informality in the sector. More concretely, defining of clear formalization milestones to meet the objective of the draft-strategy on tourism: <i>"registration of 80% of family accommodation (rooms, apartments, houses) by 2022"</i> . Envisages of concrete actions and methods that addresses the formalization issues (identification and registration), could make the strategy objective realistic.	MFE/MTE/GDT	Short-Term
	Recommendation 2. Strengthen of the governance of tourism sector at local level as an integrated policy. a) Tourism is a strategic sector at national level, however it remains a local <i>shared economy</i> . Considering this, local government need to be more active in monitoring the sector development, better fulfil their obligations and establishing dialog with businesses, as provided by law no.93/2015 "On Tourism", in order to bring their voice to policy making.	MTE/ MUNICIPALITIES	Medium-Term

	<p>b) The establishment of local anti-informal platforms (initially as pilot project) will stimulate new synergies between local actors involved in the tourism industry (associations, businesses, institutions, municipalities) to address the rapid resolution of formalization issues.</p>	<p>PILOT PROJECT Gjirokastrë, Korçë (MUNICIPALITIES- DONORS)</p>	
	<p>Recommendation 3. The business model and features of informality are diversified per typology of tourist destinations. Considering that informality in the sector remains systemic it is suggested that formalization strategies could be tailored accordingly and grouped as following:</p> <ul style="list-style-type: none"> • <i>Group 1</i> - formalization/registration + tax controls for cases where the construction industry is to a certain level converted into a “touristic” one by leasing massively apartments to tourists. The impact in budget losses from this informal activity is significant (main cities like Vlora, Durrës, Shëngjini, Saranda etc.) • <i>Group 2</i> - simple registration of small accommodation structures (which do not exercise pure economic activity) only for touristic purposes and not for fiscal ones (e.g. historical destinations such as Gjirokastra, Berat, Korca). However, these kind of “microbusinesses” should be subject of local or national authority’s inspections regarding compliance with the hygiene and sanitary standards and subject of assistance to gradually shape into sustainable businesses. • <i>Group 3</i> - formalization of the activities promoted via online platforms such as Airbnb in main cities like Tirana, Durrës etc. through self-declaration as personal incomes at 15% as already stated by GTD via technical instructions. 	<p>MFE/GDT/ Tourism Busines Associations, MUNICIPALITIES/ Chambers of Commerce</p>	<p>Medium-Term</p>

	<p>Recommendation 4. The policy agenda for formalizing the sector should be coherent with public local and national investments:</p> <ul style="list-style-type: none"> a) Infrastructure investment in areas with a registered business such as the overpass in Golem (subject to formalization of the business of the area); b) Connection of formalized businesses of the Korça area to the TAP pipeline network 	<p>MFE/MTE/MIE/ MUNICIPALITIES</p>	<p>Medium-Term</p>
	<p>Recommendation 5. Encouraging of electronic payments via POS terminals could impact the high level of shadow economy in the tourism activities, it would increase the tax compliance of business and it would significantly contribute to the increasing of transparency and reputation of Albanian tourism offer especially to foreigners.</p> <ul style="list-style-type: none"> a) The means on how to struggle with this challenge would be subject of further discussion with BoA, banks of second level and MoFE, aiming to find an acceptable solution and avoiding additional costs for businesses especially for micro-businesses. The international practice offers several measures that can be followed¹. b) Additionally to the above, implementation into practice of the rules on categorization and classification of the accommodation structures as per the provisions of the CoM Decree No.730 dated 20.10.2016 “Approval of the Regulation on the Conditions, Criteria, Tariffs, Terms and Procedure for Classification of Accommodation Structures”, which impose use of POS terminals in 4 and 5 star hotels/resorts, would help to the formalization. 	<p>MFE/BOA/Tourism Businnes Associations /Albanian Association of Banks</p>	<p>Medium-Term</p>

¹ 1) Obligation to operate POS terminals for selected types of businesses (i.e. tourism services). South Korea is known for promoting electronic transactions by applying a wide range of policy tools. In 2001, card acceptance was mandated for all VAT-paying businesses in the country. Moreover, in 2002 South Korea imposed fines for card refusal; 2) VAT deduction on electronic payments accepted by merchants (example Uruguay where 2 p.p. VAT deduction on electronic payments accepted by merchants has recently been introduced); 3) Incentives for customers while using POS terminals (VAT deduction); 4) Incentives for customers for being equipped with debit cards.

II. MEET THE CURRENT LEGAL OBLIGATIONS	<p>Recommendation 6. Identification of all the accommodation structures as defined under the Law no.93/2015 including also apartments/villas and guesthouses which exercise economic activities in the field of tourism, via a coordinated campaign between GDT, MTE, Regional MTE Units and Municipalities.</p> <p>For a transitory period, a simple solution might be simple registration of guesthouses which offer accommodation services on occasional basis and for a limited period of days, in cultural/historical destinations on yearly basis as accommodation structures with NUIS/ID, but out of the regime of physical person for national and local tax purposes, might be considered as a solution. In the meantime these businesses subject of inspections as related to fire and sanitary measures.</p>	MFE-GDT/MTE- Units in Region	Medium-Term
	<p>Recommendation 7. Classification of accommodation structures.</p> <p>Fulfilment of the provisions of the Law 93/2015 and modalities stipulated by the Regulation “On the Conditions, Criteria, Tariffs, Terms and Procedures for Classification of the Accommodation Structures” as approved via CoM No.730 dated 20.10.2016 is a must to be done in order to further tailor the measures for tackling the informality in the sector, especially fiscal policies.</p>	MTE	Short-Term
	<p>Recommendation 8. Identification and registration of accommodation structures could be finalized with a simple labelling of formal operators in tourism sector - which states that the operator are recognized as registered operators that regularly pay tax and tariffs.</p> <p>This labelling has been used in neighbouring countries such as Greece/Croatia as a transitional measure toward full formalization of the sector. This is a preliminary step until the National Register is consolidated.</p>	MTE/MFE	Short-Term
	<p>Recommendation 9. Amendments of the MFE Instruction No.24 date 02.09.2008 “On Tax Procedures” and CoM decree No.96 dated 17.02.2010.</p> <p>The purpose of these amendments should be facilitating doing business and finding out innovative solutions such as enabling issuance of a “summary coupon” associated with a “<i>detailed list of orders</i>” for services offered in accommoda-</p>	MFE/GDT/Tourism Businnes Associations	Short-Term

	tions structures, by making formalization process easier. These changes would improve tax administration while monitoring fiscal equipment, moment when the coupon is issued etc. and would provide a tailored model for businesses operating in tourism, reducing also the tension created between the entrepreneurs and tax administration.		
III. INSTITUTIONS AND ADMINISTRATIVE CAPACITIES/ TRANSPARENCY AND AWARENESS	Recommendation 10. Preparation of a consolidated and easy accessible information for investors on all the incentives (general and sectoral) on the tourism sector.	AIDA	Short-Term
	Recommendation 11. Considering the lack of consolidated data on the informality level in the sector, it is of major importance to consolidate information provided by different data sources - INSTAT, Tax Authorities, Local Authorities, online booking platforms etc. be brought together in order to update and make accurate the information base. MFE or Tax Authorities could lead this process of data consolidation under the frame of an inter-institutional task force.	MFE/INSTAT/GDT /MUNICIPALITIES	Short-Term
	Recommendation 12. Informality from accommodation facilities penetrates the market through the chain of tour-operators, which need to be subject of better monitoring and joint inspections between GTD and Inspectorate on Tourism, ensuring compliance with regulatory and fiscal requirements. Business Associations operating in this segment may help to identify the processes which need to be formalised.	GDT/IoT/Tourism Businnes Associations	Medium-Term
	Recommendation 13. Anti-informality programmes should be developed for the tax administration but also for the inspectorates which monitor the conformity of the market on permanent basis. This platform should be implemented on regular basis, and not focused only during the tourism season, because actions during high season has had a negative impact on business activity and tourist's perception.	GDT	Short-Term

	<p>Recommendation 14. Informality as unregistered employment, overpasses that of not-issuing coupon, as per business reporting in the IC Secretariat Survey. Supporting businesses through cost-sharing of health & social contributions for employees with a minimum 1 year working contract, for off season period.</p>	<p>MFE</p>	<p>Ongoing</p>
	<p>Recommendation 15. Introduce training programs for employees during the off season period, at the verge of the touristic season. This will improve hiring of employees, improve the quality of staff as demanded by many companies. This training scheme could be part of the Active Employment Measures..</p>	<p>MFE/MTE</p>	<p>Short-Term</p>
	<p>Recommendation 16. Internship and seasonal employees legal framework needs to be adjusted to the nature of this employment scheme. The requirement for such employment scheme are treated similar to full-time employees, posing unnecessary cost of hiring staff for seasonal or internships employment schemes. There is a discussion at national level to improve terms of engagement for internships that practice during education cycle. Tourism business associations have to engage in that discussion and contribute.</p>	<p>MFE/MTE/Tourism Busines Associations/ Tourism Vocational Education Institutions.</p>	<p>Short-Term</p>
	<p>Recommendation 17. Since small and medium-sized businesses have a high level of informality, it is recommended to increase efforts for their fiscal education through the active role of business associations in the field of tourism, to properly share the formalization measures by MFE and DPT and to enable specific fiscal training for this category of businesses.</p>	<p>Tourism Busines Associations/GTD/ MFE</p>	<p>Ongoing</p>

Matrix of Recommendations *On Formalization and Competitiveness in the Tourism Sector (The Matrix)* is the outcome of the Technical Note drafted by the Investment Council Secretariat. 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.
- **Long-term** - over 1 year.

Mid-term – from 6 months to 1 year
Ongoing

ABBREVIATIONS:

MFE- Ministry of Finance and Economy

MTE-Ministria of Tourism and Environment

MIE- Ministry of Infrastructure and Energy

GDT- General Directorate of Taxes

IoT- Tourism Inspectorate

BoA- Bank of Albania