

ONLINE TAX DECLARING OF SMALL BUSINESSES IN SHKODRA. ITS ADVANTAGES AND DISADVANTAGES

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Abstract

In Albania the most part of businesses are small businesses. This because it is a small country and it has a new open market economy. During the years the taxes and the declaring methods have changed. At the beginning of 90's when Albania come from a centralized economy in an open one all the tax revenues go in the state funds. With the decentralization of the economy the tax revenues from the small business in Albania go in the municipality's funds and they have the right to manage them. As the manager of the funds has changed, the methods of declaring have changed too. In the first years the declaration and the payment are done in the Tax Directory. Now with te new law, the declaration is online and the payment is done in the bank. In this paper we will try to see the advantages and disadvantages of the online declaration. We also will see how the tax revenues changed from this form of the declaration is. Are the Albanian small businesses ready to fulfil the online declarations and will it have addition cost for them? To realize this we will prepare a questionnaire and will deliver it in 50 small businesses that operate in Shkodra. Then we will try to give some conclusions and some modest recommendations.

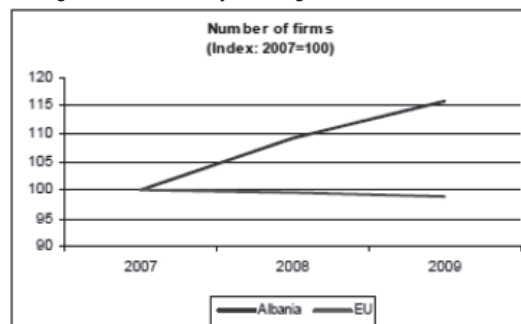
1. Small businesses in Albania

The small business sector is well represented in Albania and is similar in structure to the EU's. Small businesses in Albania provide the majority of jobs and value-added, just like in the European Union. According to the 10th paragraph of law 9632, dated 30.10.2006, point 3 "Small business are all businesses that operate in Albania and has total revenues during the year below 8 million Albanian lek or 57150 € "

As it is shown below in the table²¹² the small businesses in Albania are considered all SME that operate there:

	Number of Enterprises			Employment			Value added		
	Albania	EU27		Albania	EU27		Albania	EU27	
	Number	Share	Share	Number	Share	Share	Million €	Share	Share
Micro	70 637	95.6%	92.1%	117 306	46.5%	29.8%	620	30.7%	21.6%
Small	1 579	2.1%	6.6%	20 719	8.2%	20.4%	190	9.4%	18.9%
Medium-sized	1 428	1.9%	1.1%	71 047	28.2%	16.8%	600	29.7%	17.9%
SMEs	73 644	99.9%	99.8%	209 072	82.9%	66.9%	1 410	69.8%	58.4%
Large	58	0.1%	0.2%	43 153	17.1%	33.1%	610	30.2%	41.6%
Total	73 702	100.0%	100.0%	252 225	100.0%	100.0%	2 020	100.0%	100.0%

The figures presented in the table above are for 2009 and have been provided by Albania's National Statistical Office. The data does not cover the enterprises in agriculture, forestry, fishing and services such as education and health.



²¹² It is taken from "Enterprise and Industry, Small business Act Fact Sheet 2012, Albania", published by European Commission

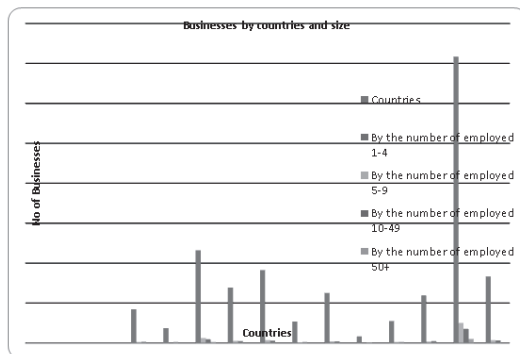
According to the data published by Albania's National Statistical Office in 2011, we know about the business delivered in the countries in Albania and their size from the number of employees but we don't know about their size as a small or large business.

Below we can see the data¹ and a graph that tells us the real panorama of the businesses in Albania in 2011:

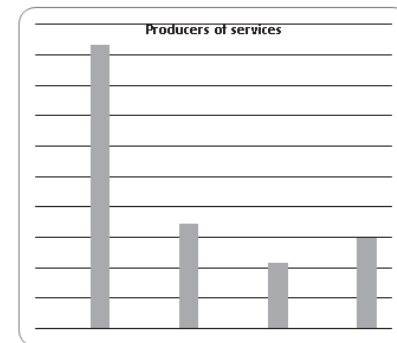
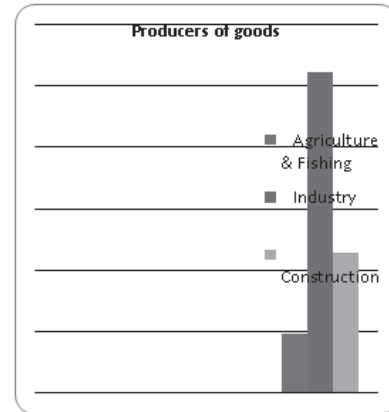
Countries	Total	By the number of employed			
		1-4	5-9	10-49	50+
Gjithsej Total	106,503	96,429	4,952	4,164	958
Berat	4,488	4,214	114	135	25
Dibër	2,049	1,852	51	132	14
Durrës	12,829	11,619	625	465	120
Elbasan	7,482	6,941	259	248	34
Fier	9,833	9,121	351	307	54
Gjirokastrë	2,949	2,680	103	133	33
Korçë	6,725	6,263	210	209	43
Kukës	971	815	64	81	11
Lezhë	3,030	2,761	127	115	27
Shkodër	6,437	5,977	169	237	54
Tiranë	40,656	35,855	2,516	1,783	502
Vlorë	9,054	8,331	363	319	41

Although we know about the activity of these businesses:

Economic Activity	Total
Total	106,503
Producers of goods	16,919
Agriculture & Fishing	1,935
Industry	10,441
Construction	4,543
Producers of services	89,584
Trade	46,636
Hotels, Coffe, Restaurants	17,113
Transport & Communication	10,869
Other Services	14,966



As we see from the graph the largest number of business is they that have 1-4 employees, so the small businesses and the largest number of businesses have Tirana that is the capital of Albania.



As we see from the graphs the most part of businesses in Albania are producers of services only a small part, about 16% are producers of goods.

2. E- Taxation service, a good practice for Albania

E-Taxation is an online service that General Directorate of Taxation offers for all the taxpayers in Albania. It is known widely from the general and regional directorate of taxation and about 30000 taxpayers that use it to declare the taxes.

All the obligations that the business has to the Directorate of Taxation can be declared with the e-taxation. It has reduced the time and the cost for the taxpayers.

²In February 2010, based on DCM No 55 of 3.2.2010 and Ministry of Finance Instruction No 2 of 28.1.2010, the official website of the General Directorate of Taxation (GDT) www.tatime.gov.al became the focal point for:

- 1) the electronic declaration and payment of VAT;
- 2) the declaration of income tax from employment (TAP);
- 3) the declaration of corporate tax (monthly prepayment and annual declaration);
- 4) and the declaration and payment of social security and health contributions.

Sales and purchase accounts are likewise submitted electronically. This measure worked well in 2011, and now 80 % of tax declarations are e-filed; there are 25000 regular e-filers and 40 000 users of e-taxation services; and the payment processing time has been cut from

¹ Albania's National Statistics Office 2011

² It is taken from "Enterprise and Industry, Small business Act Fact Sheet 2012, Albania", published by European Commission

three months to one day, saving \$ 1 million per year. The improvement was achieved with the support and assistance of the Threshold Programs Millennium Challenge (MCC II) in 2009 – 2011.

On 14.12.2011 DCM No 899 was brought in, amending DCM No 55 of 3.2.2010. The GDT announced on 1 January 2012 that it was extending the number of declarations and statements to be submitted by businesses in electronic form only. The following were included:

- declaration of payroll and social security contributions;
- health and income tax resulting from employment;
- statements of employees, persons employed for the first time, those recently employed, and job leavers;
- declaration and payment of personal income tax for small businesses.

For implementation purposes, GDT has prepared an Instruction dated 9.1.2012 and a Practical Handbook with clear explanations on the e-procedures for e-filing; these are published on its website. This measure makes the GDT's website <http://www.tatime.gov.al> a single point of access to for all relevant information on taxation and for e-declarations.

3. E- Taxation Advantages and Disadvantages

E-Taxation is a new practice for Albanian economy and like the other new has been faced with many advantages and disadvantages during the implementation. Here we will try to give some major advantages and disadvantages:

Advantages

- ✓ The e-taxation service has strengthened the rule of law, doing it better functioning
- ✓ It has increased transparency for the taxpayers and the tax inspectors
- ✓ It has improved services to taxpayers
- ✓ It has cut the attendant cost and time in the regional Directorate of Taxation
- ✓ It has cut down the administrative burden
- ✓ It has created a paperless system, because it is easy to control in the system than in the papers
- ✓ It has reduced the need for contact with the tax authorities
- ✓ It has minimized corruption; because the tax payers and tax inspectors can be rare met and sometimes they don't know each other.

Disadvantages

- ✗ E- Taxation can create conditions for evasion
- ✗ Sometimes the businesses don't know how to complete the Purchases and Sales Book
- ✗ The online declaring needs a low level of information technology acknowledgements, that not all have
- ✗ Some businesses has an old IT system
- ✗ In the last days of declaring the servers sometimes are blocked and the taxpayers can't do in

time the declaration. This is subject of monetary punishment for many businesses.

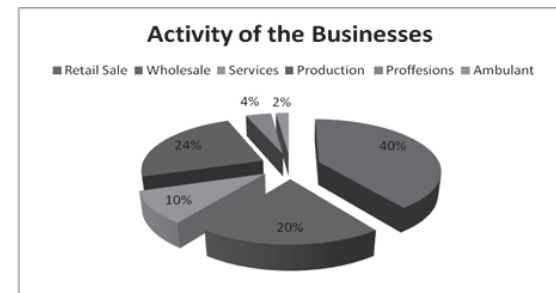
✗ The e-taxation doesn't give opportunity to change the declaration to the businesses after it is delivered.

✗ From the General Directorate of Taxation are trained only the economist and not the businessmen.

4. The questionnaire results

To see the difficulties that the small businesses face using the e-taxation we have done a questionnaire that is delivered in 50 small businesses. They are chosen by chance and were ready to complete our questionnaire. Below we will give the questions and the answers of the businesses:

1. Which is the activity of your business?



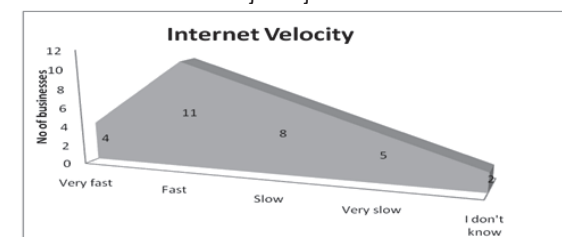
As we see from the chart the most part of questioned businesses are retail sale businesses, 20. Then 10 are wholesale, 5 are service, 12 are production, 2 are professions (1 accountant and 1 jurist), only one is ambulant.

2. Do you have internet in your business?

60% of the businesses have internet and the other not. This because they are small and don't have enough money to install internet. They consider internet an addition cost that don't give profits to the company.

3. How is the internet velocity in your offices? (For them who have internet)

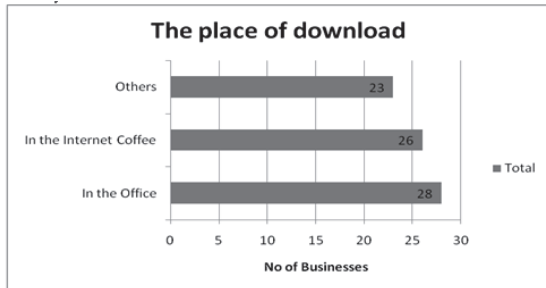
As we see from the chart the most part of businesses have fast internet. This because of the many offers that different companies have done for them and because the internet is one of the major objectives of the state.



4. Do you download the tax statements from the internet?

From the answers we see that all the businesses download the statements from the internet. This because it is a low cost for them. They say that it is the best thing, because in the past they spend more time waiting for them in the Regional Directorate of Taxation.

5. Where do you download them?



About the place where the businesses download the statements, they say that the most of time they download them in the office, sometimes in the internet coffee, sometimes in home, sometimes in the library etc. the part that don't have internet download them in the internet coffee, at friends, in the library, in the post etc.

6. How is the download procedure?



As we see from the graph the most part of businesses say that the procedure of e-taxation is difficult, because they don't have many acknowledgements in information technology. Only 20% say that this is an easy procedure, because they are familiarized with the internet and with the computer. And not a small part say don't know, because they take the statements ready from the economists or from the other people.

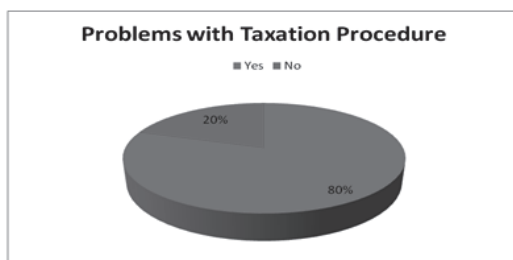
7. How often do you use the web page of taxation?

As we see from the answers the most part of the small businesses, 76% use the web page once a three month, only when they have to download the statements. The others once a month, 6% or once a week 4%. The 14% don't use this web page because they don't know how to use a computer.

8. How often do you meet the Taxation officers?

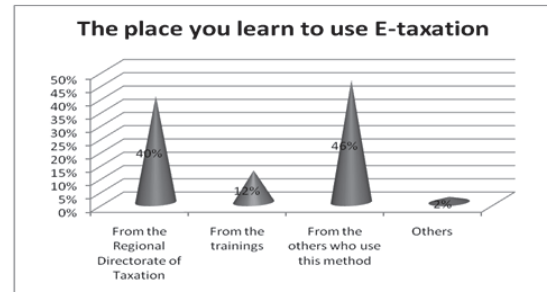
As we see from the answers the most part of the businesses met the taxation officers very rare, 80%. The other met them once a month 4% and the others once three months.

9. Have you ever had any problem with the E-taxation procedure?



As we see from the graph the most part of the businesses say that they have had problems with the E-taxation procedure. They say that this happen in the last days when the flow of businesses is very large. I think that these defects will be improved in the future, because this is a new procedure for Albania.

10. Where do you learn to use the e-taxation procedure?



The most part of businesses 46% learn the E-taxation procedure from the others. This because the large businesses use it about two years ago and they explain it to the small ones.

5. Conclusions and recommendations

Finally we could say that:

1. E-Taxation is a good procedure to declare the tax. It is a cheap method for the state and the businesses.
2. Small businesses are not prepared enough to use this method. This comes from the low level of acknowledgements in information technology. This last is a new one for our state.
3. Some businesses have old software in their computers and they don't attend the charge of this procedure. There are some small businesses that take the statements ready from the others because they don't know how to download them.
4. The businesses often complain about the server. Sometimes it is overcharged and don't function normally, especially in the days of declaration of the taxes.
5. The 20th April of 2013 is the date when the small businesses all will declare their taxes online and this will be the date when all of them will face the problems of the system.
6. This system doesn't give them the possibility to change the tax declaration when they have fulfilled that, because sometimes they might have human errors. Based on the conclusions above, we could give these recommendations:
 1. The small businesses need more training about the electronic declaring of the taxes, because there aren't done any with them, or they are not informed.
 2. Small businesses need some spaces with computers gratis to declare the taxes. This will be possible if the Regional Directorates offer some.
 3. The small businesses acquire from Regional Directorate, brochures or CD to learn how to fulfill the tax statements online.

4. It is needed from small businesses that the e-taxation to be a program according to the programs of computers, because this is easy for them.

Finally we hope that this procedure goes better for the small businesses and for the state.

References:

General Directorate of Taxation, "Taxation Law", 2011

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European Commission, "Enterprise and Industry, Small Business Act Fact Sheet 2012, Albania", 2012

