

HOW DOES ONLINE TAX DECLARATION OF BUSINESSES - INFLUENCE THE WAY THE TAX OFFICES ARE ADMINISTERED IN SHKODRA

Dr. Elidiana Bashi, Finance Lecturer
Dr. Mirjam Dibra, Marketing Lecturer
Shkodra University

Abstract

Public services and their management have a great influence in the development of the local economy of a country. During the process of transformation of the community in an intense computing system of information, the offering of these services through information technology, in an effective, fast, transparent and safe manner in accordance with citizens and business needs are very important. Referring to makers of online declaration, this is an important measure that will influence in increasing the effectiveness of tax administration, to minimize the tax evasion in labour market, and to facilitate the exchange between two important institutions: Tax Office and Social Insurance directory. However, this online information exchange between these two institutions, aims in facilitating the data exchange between these two directories, with the purpose of establishing a clear evidence of the data of social insurance payments from that of businesses and citizens. This exchange will help the history creation, for each social insurance payer, thereby helping them in having the necessary profits from these paid contributions.

Keywords: Taxation office, online declaration, manual declaration, budget income

The goals of this study is to

1. Make a clear evidence of the influence of the online payment declarations in tax administration as the new challenge of this directory.
2. Make a description of the advantages and disadvantages of online declarations – compared to manual system.
3. Measure the performance and the reaction of the businesses to online declarations.

Hypothesis: Do the online declaration really increase the effectiveness of administration of tax directory in Shkodra region?

Objectives of the study are

1. Measure the progress of the online service of the taxes in Shkodra.
2. Observe the density of the usage of online services, which are related to tax payments.
3. Identify the problems that are related with this service.
4. The online service helps to avoid time wastage of users; thus, face payments reduces the personal contacts between the businesses and the tax administration.

Methodology

The preparation of this paper is based on the primary and secondary sources of information. In collecting the primary source of data, I have prepared a questionnaire to study the effectiveness of online declarations, from a businesses point of view. During the process

of the study, i spread 150 questionnaires to businesses that operates in Shkodra region. Hence, from the 150 questionnaires spread, i collected 130 responses during the period of May 2013. The questionnaires was spread by email, and so it was not hard to compile from the managers or the authorized persons that reads it.

2. Another method employed in the collection of primary data was through a personal interview with Mrs. Lindita Canaj – ex inspector of tax directory in Shkodra region – (where the taxes were paid manually till April 2009). Thus, this interview took place in May 2013.

3. Scondary data include data collection from books and articles, mainly from directory office and onlinewebsites that addresses this matter of discusion.

Online services that offers the tax administration

Governments all over the world, are making efforts in ensuring a high quality technological system of information and tax declaration – to offer improved services to citizens of the country. Often, they execute ambitious projects to tax administration offices, and on the other hand, offers a wider electronic nature of services to tax payers and their agents. Many of the theoreticians, think that electronic methods for the tax collection are very critical for all the processes of income administration.

The tax online systems that are listed above were implemented during 2007 – 2013. During this time, continous improvements of these systems have been made, according to the need of the directory of tax office and the needs of business.

✓ **Electronic declaration or (e-Filing)** is the portal where all the tax payers enters the system with its credentials (username/password), where it can take information and then navigate to other sub systems for any other operations.

✓ **E-Payment (Electronic payment)**

This subsystem makes all the online payment of all the tax declarations possible through the online system of declaration of the General Tax Office. Thus, the e-payments system allows the tax payer to accomplish electronic payments through two main options:

Direct Payment and E-Banking.

- **Direct Payment:** Through this method, the tax payer chooses directly the bank he has an account with to effect the payment, without entering the bank portal. Therefore, the tax payer has to put the number of the account that he was given by the bank to make electronic payments for the tax office.

- **E-Banking (Electronic banking):** Through this method, the tax payer, after he has logged on with its own data in the bank's system, he can make the online payment. For this payment, the bank responds to the tax payer through a combination of a 4 figures message in his phone – that has to be put in the bank's link, to make possible the identification of the person in order proceed with the online payment in favor of the tax office.

✓ **Electronic book of accounts (e-Ledger)** shows all the transactions that a tax payer has realized during a period of time. It gives a clear description of all the transactions that a tax payer has made during a fiscal period.

✓ **mTax:** This sub system is in the phase of design and development. However, all the data that are collected to the option “My taxes” in this portal can be opened from the mobile phone of the tax payer.

✓ **T-CRM:** Is an electronic system that is used from the General Directory tax office employees (including: inspector for elaboration, tax inspectors, etc). This kind of system information allows the inspectors of General Directory tax office to make inspections and control the duties compiled through the portal e-filing. This system information – was designed to meet the needs of the service department of tax directory for the tax payers.

The General tax office, has increased the focus on electronic service offering, that emphasizes the need that electronic payment, has to encourage the volunteer declaration and implement the tax law more efficiently. In addition, individuals and businesses are still trying to fit into the idea of transferring personal data which are confidential information in an electronic manner.

Legislation that empowers the E- declarations:

The Albanian Government has created the necessary legislation, that makes the subjects obligative to – the online declaration in an electronic way. According to the Decision Of Ministers council No. 55 date 03.02.2010⁵⁸ “ For the obligative declaration of tax declarations and other tax documents through electronic channels” that covers article 100 of the constitution and article 65 of the law no. 9950 date 19.05.2008 “For tax procedures in Albanian Republic”, changed with a proposal of the Finance Ministry, Ministers Council, decided the obligative declaration only through electronic forms of tax declarations, which includes the above listed payment declarations forms:

- Declarations and payments of Value Added Tax
- Declaration and payment of tax on labour forces.
- Declaration and payment of tax on profit for businesses.
- Declaration and payment of the social and health contributions.
- Declaration and payment of tax on income for small businesses.
- Payment list of the social insurance contribution, health insurance and tax on labour income.
- Statement of new employees and to those left to work; hence, the form and contents of the list of payments is determined by the minister of finance.
- Declaration of purchasing books and selling books.

This decision entered immediately at once, and its execution begun from the tax declaration online submissions for the period of March, 2010⁵⁹.

Disadvantages of online declarations

- Cost of internet usage for businesses and simple taxpayers
- Needs some special education on information technology, and not everybody can make a good job on online tax declaration.
- Incapability of the tax payer to make improvements of tax declarations after it is closed for the first time.
- Some businesses are still not having a special file, and this best describes the tax obligations.
- Overflow of electronic declarations income in general directory of tax servers – especially on special declarations date, for example: date 14 of every month – the last date to pay the Value Added Tax dues.
- In many cases, the tax payer – due to system problems – do not get the confirmation message for the procedure online declaration ending.

Advantages of online declarations

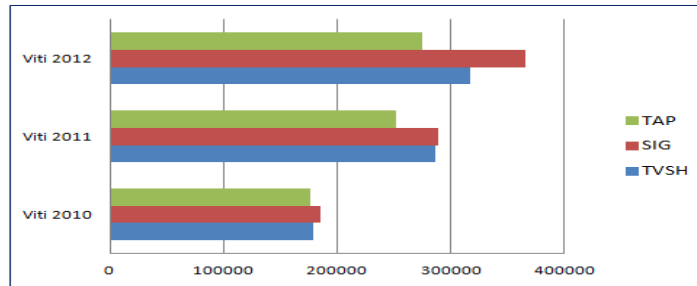
- Prevents fiscal evasion
- Reduces the time in controlling the tax declarations.
- Excludes direct contacts with tax administration –thus, it wastes the time of the tax payer.

⁵⁸ Council of ministers decision no. 55 dt. 03.02.2010 published in official bulletin no. 10 date 17.02.2010

⁵⁹ Notice of general directory of tax with protocol no. 16384 date 20.07.2012, published at www.tatime.gov.al

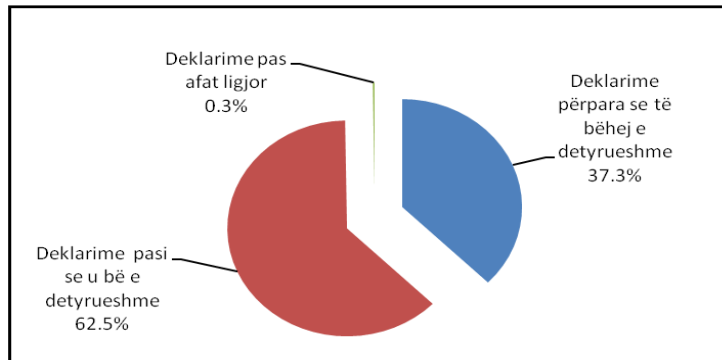
- Reduces time in declaration preparation, because it is prepared from the system itself.
- No time restriction for making the tax declaration – this is very useful to tax payer because they do not have to hurry up to meet up with the bank’s time table.
- Reduces the possible mistakes of the tax payers.
- Creates a database that is accessible at any time from the general directory – and from the tax payers.
- No special locality is needed for the online declaration – this means that the taxpayer must just have a mobile phone, and internet connected to it and can make the payment any time and any place from Albania, that he resides.
- Safety in declaration – because, for example possible mistakes from the bank’s clerk are avoided.

Albanian Impact of online declarations from 2010 to 2012



Source: IRS – 2012

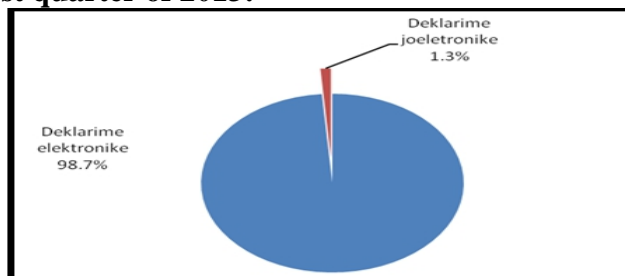
Shkodra region impact of online declarations is:



Source: Region directory of tax in Shkodra

Declarations have increased after the online declaration has become a due to businesses in Shkodra region up to 62.5 %. And the declarations after the terms allowed from the law have reduced to 0.3%.

During the first quarter of 2013:

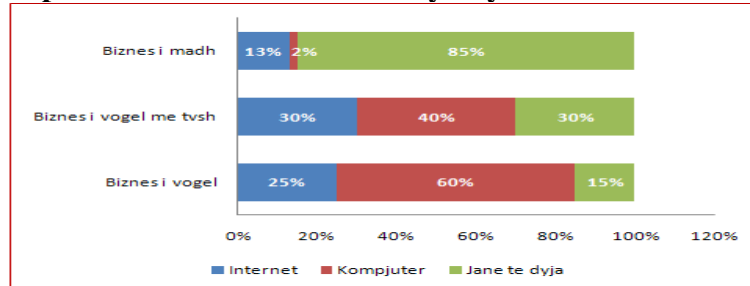


Source: Region directory of tax in Shkodra

Therefore, the chart shows that 98.7 % of declarations are online and only 1.3 % are offline. (Remember that during 2013 – online declaration has become obligative to all businesses)

Questionnaire analysis

Do you have a computer or internet connectivity in your office?

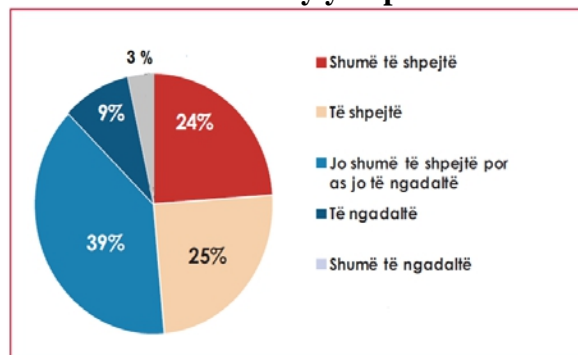


Big businesses answers: 85% - have both internet and computers, 2 % - posses only a computer, and 13 % - posses only internet

Small businesses with VAT – 30 % posses both internet and computers, 40 % - posses just a computer, and 30 % - posses an internet

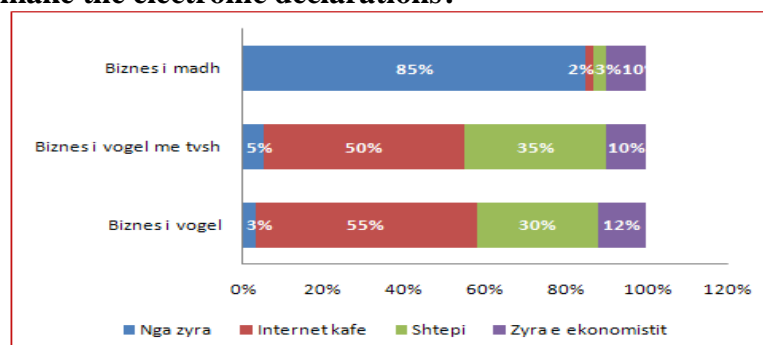
Small businesses – 15 % posses both internet and a computer, 60 % posses – just a computer and 25 % - posses just internet. From th chart, it appears that small businesses have problems with infrastructure –which makes the online process declaration harder than it is.

What is the speed of the internet connectivity you posses?



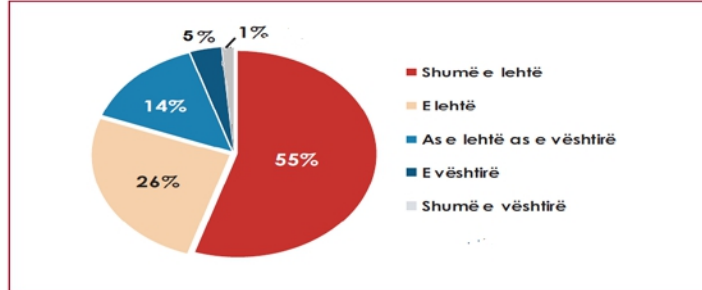
About 24% - answer that they have a fast and effective internet in their possession, but on the other hand, about 39 % of the people’s answer shows that they posses a slow internet connectivity– that slows down the online declaration. Hence, this process rescues to make an annoying user.

Where do you make the electronic declarations?



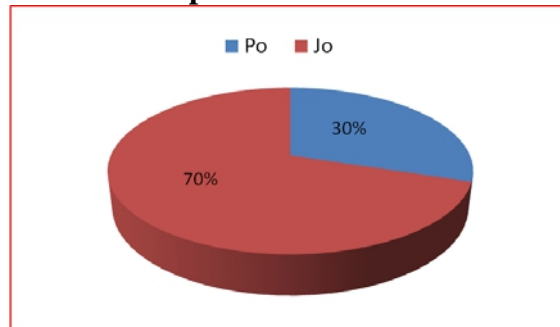
The most part – about 85 % of big businesses make the declaration at office – because they feel more comfortable and safer; but for the medium businesses and small businesses – 5 % and 3% make the declaration at office – these kind of businesses make it the most using an internet coffee at home.

How does the online declaration process appear to you?



55 % - of the businesses asked – answered that they find it very easy to access.

Did you have any problems with the procedure of online declarations?



About 70 % of the answers show that they have had at least one problem with the system of online declaration.

When did you start the online declaration?

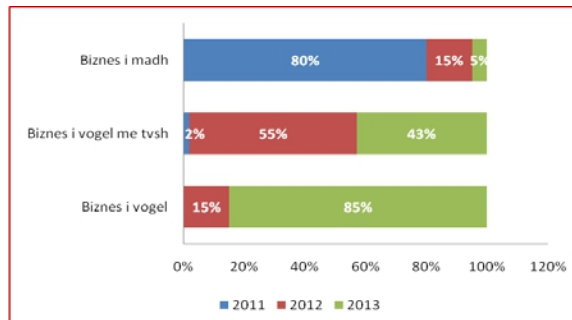


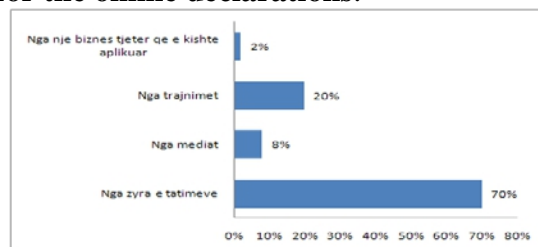
Chart shows that big businesses implemented it during 2012 – about 80 % of them, 55 % of medium businesses implemented it during 2012 and about 85 % of small businesses implemented it in 2013 – because it became obligative from the fiscal law.

What are the reasons, you did not declare the tax online voluntarily before 2013?



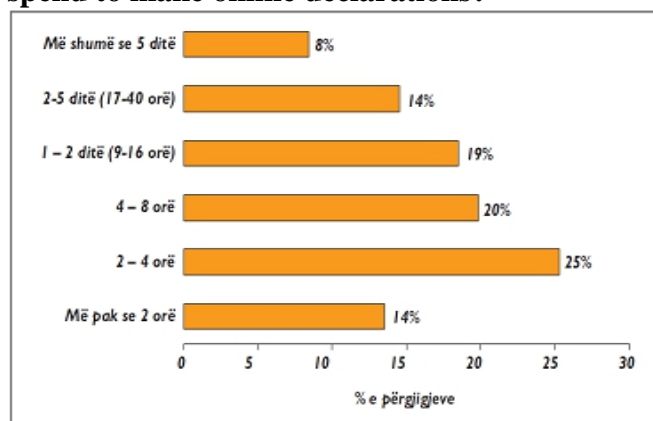
35 % - of the answers show that businesses do not believe mostly in the online declaration. They seem to be very sceptical if they reach the time allowed by the law at the tax office. 12 % - believe that the online declaration is complicated, 13 % - shows the fact that the official website of this directory does not work properly. 30 % of them – show that they are not used to this manner of declaration, and 10% - admit that they didnot have enough information that this service is offered from the regional tax office of Shkodra.

The information taken for the online declarations:



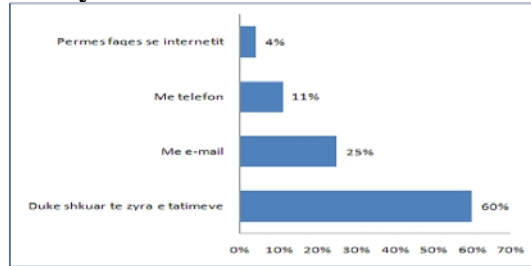
70 % - shows that they have taken the information for the online declaration through the regional tax office, 8 % - from media, 20 % from trainings, and 2 % - have taken this information occasionally from another business that used it.

What time did you spend to make online declarations?



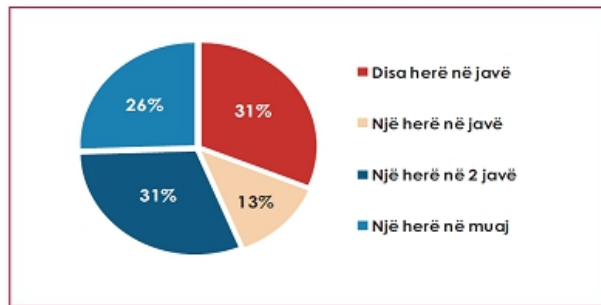
Therefore, most answers shows that about 25 % - use 2 -4 hours of work to make online declarations and 20 % take 4 – 8 hours for this process.

The way the regional directory of tax – communicates to businesses is:



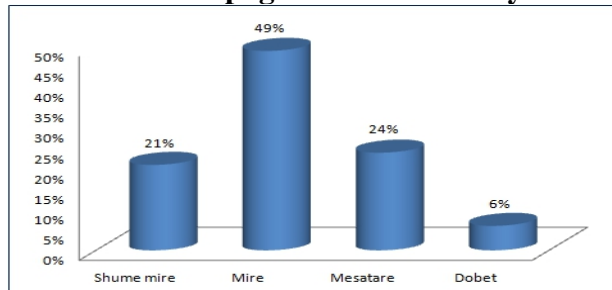
About 60 % - communicate though personal visits to tax office, 25 % via email, 11 % with phone and about 4 % through internet pages.

How often do you use the official site of regional tax office?



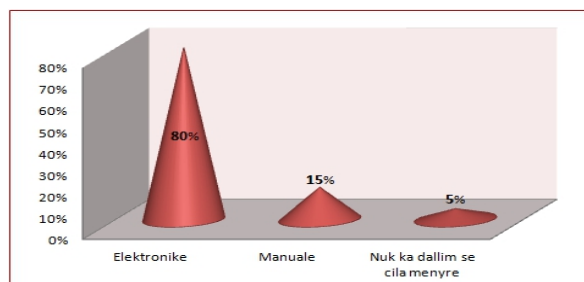
About 31 % - shows that they use it frequently—meanwhile, to meet an official from tax office is very rare and almost impossible.

How do you evaluate the official web page of Tax Directory?



Almost 49 % of the answers – give ok to the tax website and only 6 % give a weak mark to it.

How do you think electronic declaration has improved this process versus manual declarations?



80 % - of the answers remarked that it is better than electronic declarations, 15 % are for the manual declaration and about 5 % think that it doesnot make any difference at this point of view.

Conclusion

- Electronic tax services play an important role in the simplification of the tax administration.
- Data from general tax office and that from regional tax office show that the accessin of electronic tax office and their usage has increased.
- Electronic declarations have many advantages but also has disadvantages.
- The arguments versus electronic declarations are related to the cost and the expertise of the businesses show in using this system.
- In a report for Small and Medium Enterprises from “Doing Business” during 2012,m tax administration is appreciated as a good example for Albania.
- Electronic declaration versus manual declaration has avoided many bureaucratic procedures.
- Most of the small businesses do not have internet and make the electronic declarations in an Internet Coffee or at home –due to the lack of proper infrastructure.
- Most of the businesses in Shkodra think that electronic declaration is too effective for use.
- The success of this system depends on those that apply for an online declaration – and from those who get data from these declarations.

Recommendations

- Small businesses need more training on electronic tax declarations.
- Businesses would have more access at this service if Regional directory of tax in Shkodra - would offer for some time some optional spaces (A room, or a hall) full of computers and good internetconnectivity, to help businesses not suffer the lack of the necessary infrastructure.
- It is necessary that the electronic declarations system has to be appropriate with other search engines in the internet. However, this would facilitate the process the most.
- General directory of tax has to make improvements related to the system of electronic declarations.
- General directory of tax has to improve the program of control for the electronic declarations.
- General directory of tax should give the businesses the possibility to make unification for the date of books declaration – and the date of declaration of payment declarations form and the form of Value Added Tax.
- General directory of tax has to keep specialized employees at IT department –so as to proffer solution to any problem that arises from the system.

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