REPUBLIC OF ALBANIA
MINISTRY OF FINANCE

Taxes & Customs Revenues' Forecasting

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Taxes & Customs Revenues 2015
Method of revenues forecast

The tax and customs' revenues forecasting is based on the traditional method, interacting the impact of the main elements of tax and customs' fiscal administrations:

1. Macroeconomic growth;
2. Administrative improvements of fiscal administrations;
3. Fiscal policies;
4. Known risks and influence factors;

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1.Macroeconomic growth

Macroeconomic growth is composed by:
   -Real economic growth (forecasted 3.0% in 2015 year)
   -Deflator (forecasted 2.5% in 2015 year)

Both agreed with IMF.
In total the nominal rate is 5.5% in 2015 year, at which 2014 year's income indexed for 2015 year's forecasting.

Monitoring indicator:
Deviation between the forecasting and outcome indicator:
   Base year 2013   1.6 %
              2017   1.0 %
              2020   1.0 %

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2.Administrative Improvements

These administrative improvements are based mainly on:

❑Reforms on the formalization of economy;

❑Simplification of tax and customs procedures;

❑Fight against smuggling;

❑Fiscal cash register reform.

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3.Fiscal Policy

- New policies aim at supporting and promoting the economy.
- More specifically, the impact of different fiscal policies to be taken in specific sector.
- New tax policies should aim of further expanding the revenue base to support the growth of public expenditures and fiscal consolidation.
- Agreed with IMF.

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3.Fiscal Measures of the 2015 year

Drafting of fiscal package of the year in terms of:

- Change of those taxes that are not distorting and support progressiveness, government reforms such as anti smoking reform through increase of cigarette excise, increasing the taxable base through increasing the tax rate on personal income matching it with profit tax;
- Addressing business needs through consultation with business groups (the business promotion policies below);
- Addressing the requirements of ministries to materialize their factored sectoral policies (also promotion policies).
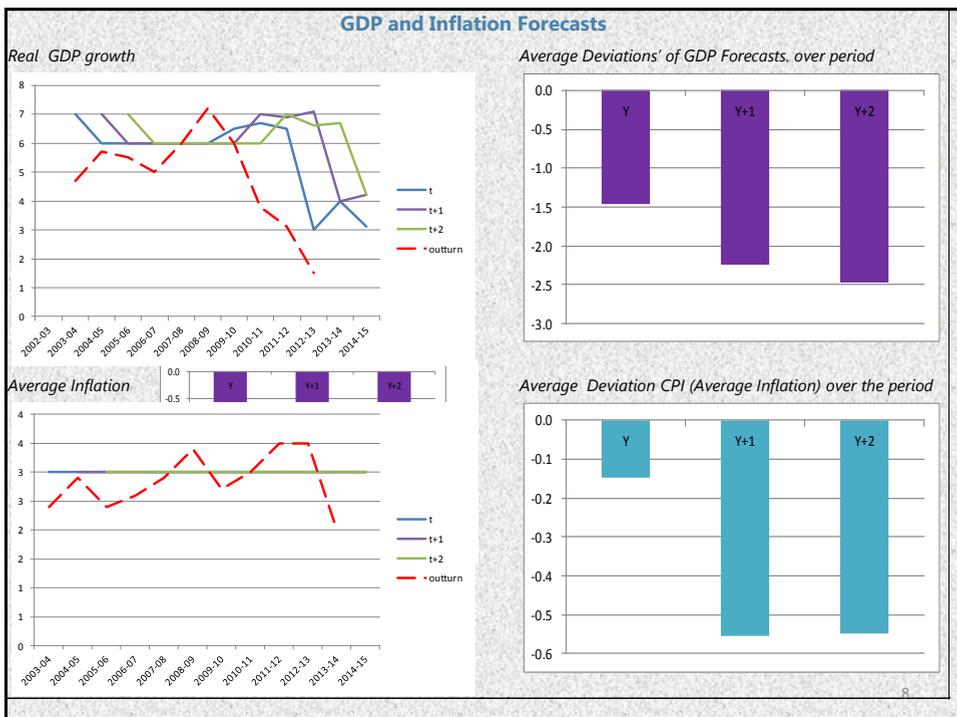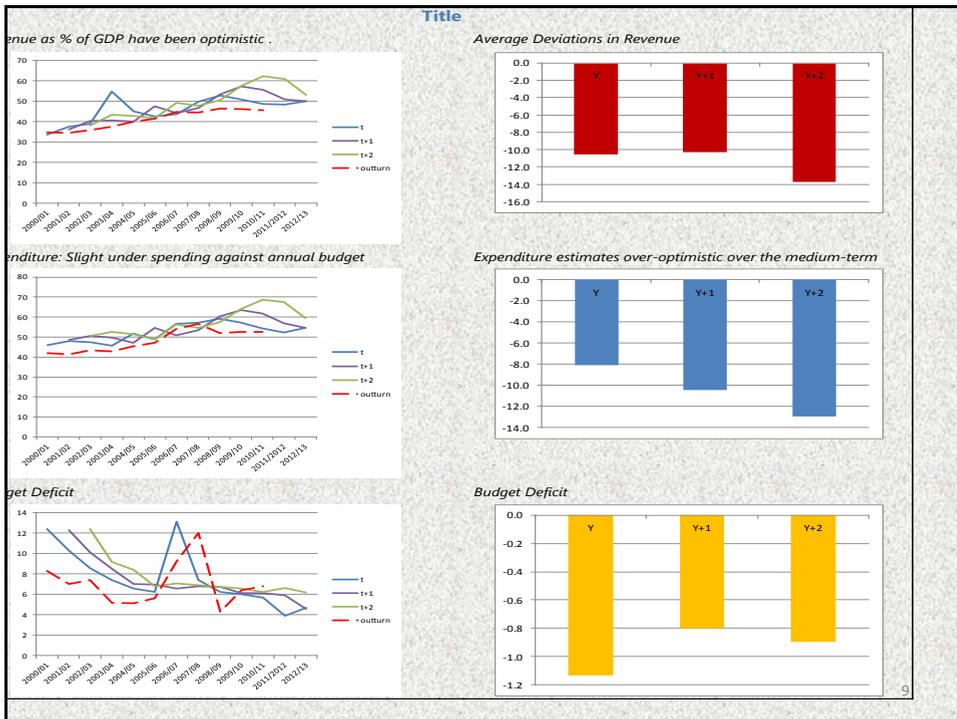
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4. Known risks and influence factors

- Separation of the one time tax and customs income
- Analyzes of the biggest taxpayers, private and state owned (hydrocarbur and energy sector)
- Influence of the international market behavior (oil prices)
- Monitoring of actual collections:
  - Differences margin between forecasting and outcome revenue: 5% of GDP
  - Monthly allocation, methodology-plan of historical indicators
  - Seasonal impact
  - Specific monitoring revenues from VAT on imports and domestically
  - Daily monitoring of customs revenues' collections
- Risk programming:
  - Forecast of macroeconomic indicators;
  - Re Calculating the effects of fiscal packages;
  - Business development cycle in income contribution.

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GDP and Inflation Forecasts

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Title

enue as % of GDP have been optimistic .

Average Deviations in Revenue

enditure: Slight under spending against annual budget

Expenditure estimates over-optimistic over the medium-term

get Deficit

Budget Deficit

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Lessons learned…

- Optimistic forecast;
- Deficit influence;
- Need for a special risk management function within Ministry of Finance for assessing and advising on non-debt-related fiscal risks.

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