



INTERNAL EXCISE TAX IN ALBANIA – A COMPARATIVE STUDY OF THE REGION

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Abstract

We have chosen to treat this topic to get deeper knowledge in this field that has undergone numerous changes since its first time of application in Albania in 2012. From 2012 profound changes have occurred in the area of this kind of tax and at the status of Albanian integration to Europe. There have been created many opportunities for entities that trade in products that consistently pay the excise tax. This tax is considered one of the most important taxes that create high rate of income in the budget of the country. This is a tax paid from the customers for the luxury goods, they usually buy. Luxury goods are those kind of goods that are not, necessarily irreplaceable or necessary for every day lives of the persons. It is common that the excise tax is related to some behavior of the people, so it tries to stop some damaging phenomena that are related to beverages, tobacco, coffee, etc. (Bundo, 2012). This study tries to conduct a research on a certain level trying to give an explanation to this specific tax. To this, the paper addresses theoretical and practical point of view, the comparison of some indicators applied in Albania compared to indicators of countries' of region.

Key words

Excise tax; Beverages; Tobacco; Coffee operators.

INTRODUCTION

The excise tax is an indirect tax – applied to all the luxury goods in the republic of Albania. It is a tax applied to special goods sold, or a tax on a good produced to be sold in our country or abroad. Excise tax is distinguished from custom duties, such as taxes on import. In every day terminology (but not necessary in the law), the excise is applied to a tightly range, usually at a higher rate, making a bigger part of the retailing price of the product. It is usually a tax per unit of the product purchased, that means an estimated rate per product capacity or per unit of the product.

Judicial relations on excise tax through businesses are ruled by law no. 61/2012 "For excise taxes in the republic of Albania", that has been changed. This law rules the judicial relation between the operators and the tax office administration, that are subject of excise tax. From 1 October, 2012 the excise tax administration has been transferred from tax administration offices to custom administration. This new and improved law, tries to follow the European Union law on excise tax, not only for the procedures of implementation, but also for the structure of the products that are part of the excise tax application. Usually theoretically speaking, the excise tax is applied to the harmful products, to the products that create pollution, and those products that are considered luxury products.

In Albania, the group main items on which excise is placed are:

- By-products of oil;
- Beer, wine, alcohol and alcoholic beverages;
- Tobacco and its derivatives; and
- Coffee and energy drinks.

Excise is considered an indirect form of taxation because the government does not apply the tax directly. A mediator, for example manufacturer or seller shall be liable to pay this tax for the government budget. This makes the provider, which the government pays the excise, to try to recover it by shifting the tax to the buyer by raising the price of the product – so finally it is the consumer that pays it. From the new fiscal package since January 1, 2014 implemented in Albania, changed the excise duties and / or taxes on products such as fuel, cigarettes, alcoholic beverages and energy involved.

The purpose of this paper is:

- To understand the way the customs' office works in Albania;
- How does the fiscal law on excise work in Albania;
- How does this kind of tax influence the increase of the Albanian gross domestic product; and
- Are the actions against this payment due tax efficient in reducing the payment evasion of this tax?

Methodology (Hypothesis): Domestic excise tax increase domestic production enabling payment in order to reduce the actions of the businesses that try to avoid this tax.

LAW DESCRIPTION ON EXCISE TAX IN ALBANIA

Legal basis

The excise tax collection, is ruled by law no. 61/2012 "For tax excises in Albanian Republic", changed, to be applied on the energetic beverages, alcoholics and tobacco. On these products group, the due to pay the excise tax, begins at the moment the product is being sold in Albanian territory, by including in it the goods imported



and vendor produced, such as: beer, wine, alcoholic drinks, oil and tobacco. Excise duty paid on goods begins when the products come from an excise duty suspension regime.

Products exempted from of excise duty happens when they are intended for use by accredited diplomatic missions in Bangladesh, International organizations, NATO forces, limited quantities in travelers' personal luggage, the products are exported, goods are located in the customs suspension regime, energy products (mainly fuels) used in technological processes in search of shale development, fuels etc. for fishing needs. But exemption from excise duty comes after the approval of an authorization exception. The Council of Ministers shall determine the form and content of the authorization of the exemption.

Products which apply on excise

Coffee market

Coffee is one the most consumed products in the world. Albania imports all the coffee quantity, without producing.

TABLE 1. IMPORTED COFFEE

Product	Market part
Not roasted coffee	72.8%
Roasted coffee	27.2%

Source: General customs directory.

From Table 1 we can judge that the most part of this product is not roasted coffee coming from abroad, that is sold to the subjects that make its elaboration.

TABLE 2. COMPARISON OF EXCISE TAX SYSTEM IN ALBANIA TO NEAREST NEIGHBORS

Category State	Excise Taxing scale			
	Albania	Kosovo	Montenegro	Macedonia
Not Roasted coffee	0	42 All/kg	20% of the good monetary value and value custom dutie payments	No excise is applied
Roasted coffee	60 All/kg	84 All/kg		
Skin, peel of the coffee	50 All/kg	140 All/kg		
Extracts, coffee essences	250 All/kg	140 All/kg		

Source: General custom directory

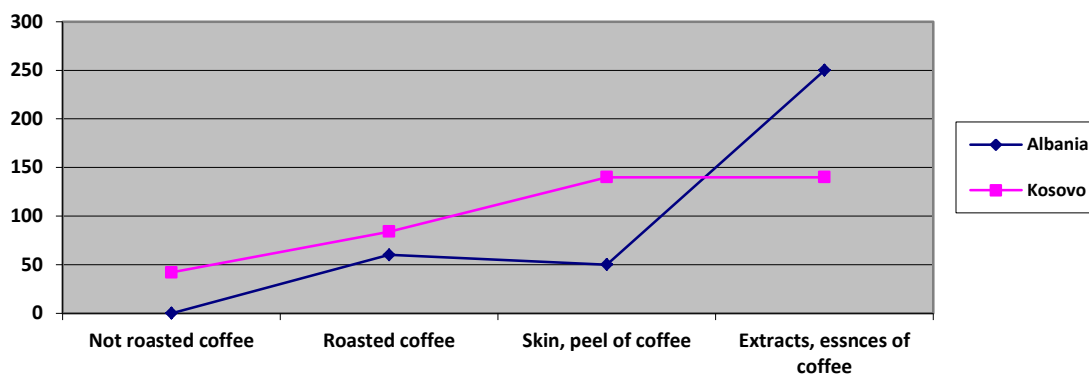


FIG 1. COMPARISON OF INDICATORS BETWEEN KOSOVO AND ALBANIA

Source: General custom directory

There is a noticeable difference between excise duty applied by countries in the region compared with the excise duty applied by the Republic of Albania. For the excise tax on roasted coffee, we can see that it is not applicable in Albania, but Kosovo this is converted to 42 All / kg. Montenegro applies this tax to the extent of 20% of the amount of the value of goods and the value of customs duties and this applies not only to not roasted coffee but for all products of coffee. Macedonia does not apply excise tax on coffee. Albania and Kosovo apply to any of coffee sub-product different levels of taxation. Tax excise applied in Albania to not roasted/roasted coffee, and to skin/peel of coffee is lower compared to the values of this same tax in Kosovo, on the other hand for extracts/essences it is applied a higher tax compared to the same tax in Kosovo.

Energy drinks market

The energy drink is any drink that contains high percentage of sugar, caffeine and other stimulants (mainly taurine and various vitamins) which are consumed to overcome fatigue to mental and physical overload periods. (Health directory annual report in Shkodra, 2012). Referring to the law changed on 2014 for excise tax, this kind of group products, is taxed for 50 All/litre, from 0 % rate before applied.

As prescribed from Figure 2, we see that at the quantity imported the main important part is available to the: First label, second label, third label and the fourth label. The third label has the most expensive price, that is related to its "good name of label".

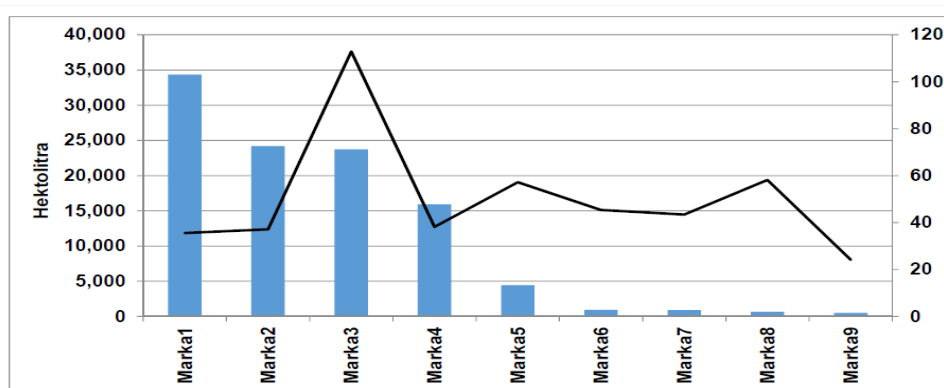


FIG 2. RATIO OF IMPORTED QUANTITY/TO THE AVERAGE PRICE FOR ENERGY DRINKS, 2013

Beer market

Beer is an alcoholic beverage made from the fermentation of various grains coupled with a little bitter taste. Beer is a drink that is produced or imported in Albania, but the beer produced in Albania (some brands) are exported to foreign markets by increasing values Albanian products in the rank a wider area. Many countries apply different taxes on beer. Offers for beer in the Albanian market is provided by two sources: domestic production and imports of popular brands from the region and the world. For 2013, domestic production occupies 93% of the total supply of beer (the calculations are performed on the annual amount in liters of beer production and import) and imported beers occupies only 7% of the annual totally.

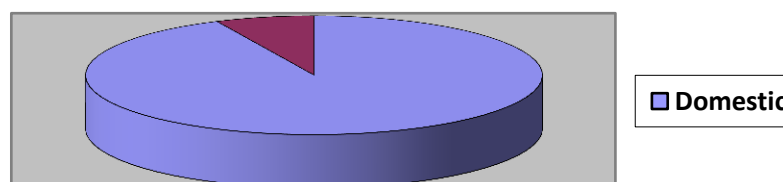


FIG 3. DOMESTIC PRODUCTION AND IMPORT OF BEER IN ALBANIA

Domestic production is low at a rate of 7%. Albania mostly imports its beer.

The excise tax on beer, in Albania compared to other countries' of region is the lowest for the quantity of 200,000 hektoliter. The past law on excise tax on beer, had another separation of 6 categories, for domestic prodecera or importers as per beer capacity of producing, ao the quantity of 70 000 HL had the excise of 1000 All/HL ($\leq 6\%$ alcohol) and 1200 all/HL ($> 6\%$ alvohol), from 70 001 HL to 200 000 HL with excise 1200 all/HL ($\leq 6\%$ alcohol) and 1440 all/HL ($> 6\%$ alcohol), from 200 001 HL to 300 000 HL with excise 1500 All/HL ($\leq 6\%$ alcohol) and 1800 All/HL ($> 6\%$ alcohol), and over 300 000 HL excise tax of 3000 All/HL ($\leq 6\%$ alcohol) dhe 3600 HL ($> 6\%$

alcohol). Excise for year 2014 has been reduced, becoming comperative to other countries' of region.

Category State	Excise			
	Albania	Kosovo	Montenegro	Macedonia
Beer produced by malt - from producer Domestic and foreigner at the quantity of 200,000 HL	360 All/HL or 3.6 All/Liter	500 Euro/HL abs,alk.100% in 20oC or 5 Euro/ Liter (700 All/Liter)	5 Euro/Liter (700 All/Liter)	3 Den/Liter Ose 0.05 Euro/Liter (7 All/Liter)
- from producers Domestic or foreigners at a quantity more than 200 000 hektolitra Per year	710 All/HL or 7.1 All/Liter			

TABLE 3. EXCISE TAX IN ALBANIA ON BEER COMPARED TO THE COUNTRIES' OF REGION

Source: General customs directory

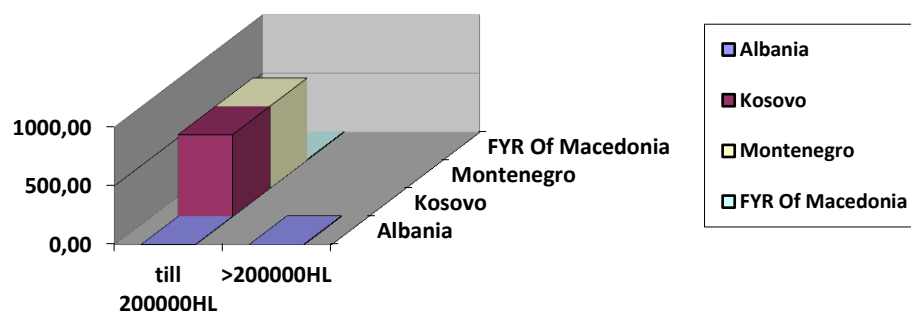


FIG 4. ANNALYZE OF EXCISE TAX ON BEER TO OTHER COUNTRIES' OF REGION

Wine market

Wine is an alcooholic drink made from grape and other fermented fruit. Its cimical natural balance of graperfruit permits its fermentation without need for sugar adds, enzymes or any other artificial material. Champaign has as its unique resuorce importing from abroad, on the other hand other types of wine, in our country, ar imported as well as domestic produced. During 2013, 68% of demand on common wine is assured from imports, and 32 % form domestic production.

Excise tax in our country is various, depending on the domestic production and imports. The quantity domestic produced and imports, of over 10,000 HL per year, has an excise tax of triple rate higher than the quantity produced lower than 10,000 HL per year. Excise for champaign is 5,200 All/HL. Compared to the countries' of region, it is the same to Montenegro, but for the common wine, this country doesn't apply no excise. FYR of Macedonia doesn't apply no excise tax on wine, while Kosovo applies the highest rate of excise tax in the region for wine and champaign (500 Euro/HL).

TABLE 5. EXCISE TAX IN THE COUTRIES' OF REGION AND ALBANIA

Category State		Excise tax scale			
		Albania	Kosovo	Montenegro	Macedonia
Common wine	< = 10 000 hektoliter/year	3000 All/HL for wines with alcoholic voltage of 12,5 % dhe 4000 All/HL,for the wines with alcoholic voltage of 12,5%	500€/HL	0	0
	quantity>10000 hektoliter/year	10000 All/HL for wines with alcoholic voltage of 12,5 % and 12000 All/HL for the wines with alcoholic voltage of 12,5 %			
Champaign		5200 All/HL	500€/HL	35€/HL	0 den

Source: General Customs Directory

Category State		Excise tax scale			
		Albania	Kosovo	Montenegro	Macedonia
Alcoholic beverages in process		5 200 All/HL (37€ per HL)	500€ per HL	35€ per HL25 (1.2-15% alcoholic) 100€ per HL	500€ per HL
Ethylic Alcoholic not natural		45000 All(320€) per HL Alcoholic	500€ per HL	650€ per HL	500€ per HL
Grape beverages as per law description No. 66		20 000 all (140€) perHL alcohol			
Other products		45000 All (320€) per HL alcohol			

Alcoholic beverages market in Albania

Source: General Customs Directory

According to the excise tax rate,the highest rate in Albanian Republic have the highest alcoholic voltage beverages , that appears to be higher than in Kosovo and Macedonia. Other excise tax on beverages is lower in Albania. Higher the alcoholic voltage – higher is consumer' risk, higher the excise rate tac in Albania.

PROCEDURES AND NOVELTIES OF LAW CHANGES

Main novelties

- The moment of due on excise payment is the moment when the product is being sold in the market;

- Accompanying all the procedures of declaration through the administrative accompanying document;
- Installing the control units near the fiscal stores of produce;
- All the subjects that produce and trade products subject of excise tax, is obligative to take the status of approved depositor (fiscal store); and
- Online and payment declaration through the computing module installed nearby the market operators.

The due to pay the excise tax, comes up at the moment the product is added to the market.

- Production, processing and maintaining the suspension of excise products; and
- Production, processing and holding of excise goods in duty suspension regime carried out in a warehouse fiscal. Warehouse production, processing, holding excise products in duty suspension regime are divided into two types:
 - a) Fiscal Warehouse production and processing; and
 - b) Fiscal warehouse storage / the storage in the absence of any kind of production and processing of products.

Authorization

1. Fiscal warehouses are subject to customs supervision and control; and
2. The customs authorities approve the authorization for opening and use of a fiscal warehouse. Depository approved equipped with a specific fiscal code.

Operator of excise annalyze - Data on excise operators

From the data obtained from Shkodra excise office, is noted that in 2013 the largest amount of excise products that carry manufactured, imported and processed production is coffe. This reduction amounts in money, recognized from January to March and in April came to the same extent as coffee market was extending. The same extension as coffe has tobacco, considering in this way, the two main products that generate the highest income for internal excise on products. Beverages have the lowest level of excise that, shows a low level of production and consumption as the amount of products which excise is paid pro rata share of the amount of dumped on the market for consumption.

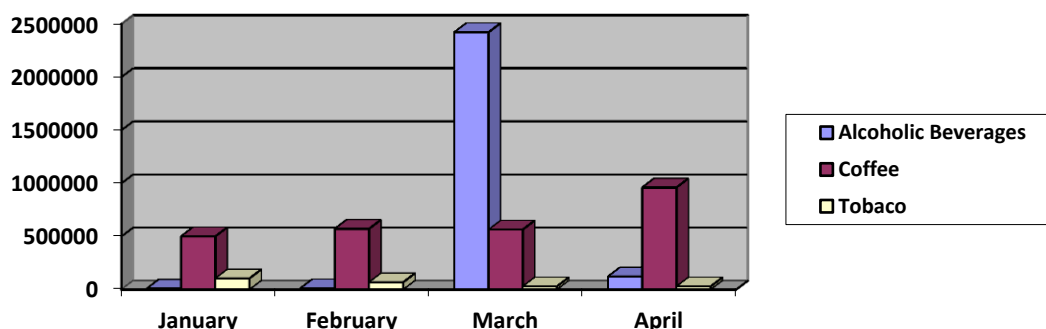


FIG 7. DATA FOR 2014

TABLE 7. VENDOR OPERATORS REGISTERED ON EXCISE OFFICE IN SHKODRA

	Country Operator	January	February	March	April	4-month	January	February	March	April	4-month
1 Mark 1	Alcoholic drink Producer	0	0	0	21900	21900	0	0	0	42048	42048
2 Mark 2	Alcoholic drink Producer	0	0	0	0	0	0	0	2400000	0	2400000
3 Mark 3	Alcoholic drink Producer	14250	32610	28950	24000	99810	0	0	16500	14250	30750
4 Mark 4	Alcoholic drink Producer	0	0	13500	20520	34020	0	0	0	21450	21450
5 Mark 5	Alcoholic drink Producer	1800	7200	16050	8370	33420	0	9450	0	19500	28950
6 Mark 6	Alcoholic drink Producer	0	0	0	0	0	0	0	0	0	0
7 Mark 7	Alcoholic drink Producer	25650	15650	20800	24650	86750	9300	3600	6000	15250	34150
8 Mark 8	Alcoholic drink Producer	0	0	21000	0	21000	0	0	0	10440	10440
	Total	41700	55460	100300	99440	296900	9300	13050	2422500	122938	2567788
1 Mark 2	Importer, Coffee Layer	325377	296217	61479	4471	687544	0	223560	515317	504804	1243681
2 Mark 1	Coffee Layer	0	0	179820	422820	602640	500580	336798	43740	447606	1328724
3 Mark 3	Coffee Layer	0	0	0	0	0	0	11664	0	0	11664
4 Mark 4	Coffee Layer	0	0	0	0	0	0	0	0	0	0
5 Mark 5	Coffee Layer	0	0	0	0	0	0	0	0	0	0
6 Mark 6	Coffee Layer	0	0	0	0	0	0	0	0	0	0
7 Mark 7	Coffee Layer	0	0	0	0	0	0	0	0	2916	2916
8 Mark 8	Coffee Layer	0	0	0	0	0	0	0	5832	5832	11664
	Total	325377	296217	241299	427291	1290184	500580	572022	564889	961158	2598649
1 Mark 1	Tobacco Shredders and Packer	150000	150000	0	75000	375000	0	0	0	0	0
2 Mark 2	Tobacco Shredders and Packer	0	0	0	75000	75000	45000	0	0	0	45000
3 Mark 3	Tobacco Shredders and Packer	24000	15000	30000	15000	84000	30000	30000	30000	30000	120000
4 Mark 4	Tobacco Shredders and Packer	19500	21000	30000	37500	108000	30000	39000	0	0	69000
5 Mark 5	Tobacco Shredders and Packer	15000	15000	30000	30000	90000	0	0	0	0	0
6 Mark 6	Tobacco Shredders and Packer	0	0	0	0	0	0	0	0	0	0
7 Mark 7	Tobacco Shredders and Packer	0	0	0	0	0	0	0	0	0	0
	Total	208500	201000	90000	232500	732000	105000	69000	30000	30000	234000
	Total	575577	552677	431599	759231	2319084	614880	654072	3017389	1114096	5400437

Source: Excise office in Shkodra

From Figure 7 is noted a big difference from year 2013. The level of internal excise collection paid from the subject that exercise their activity in this field. This means a reduction on informality on excise payments. In March we have a noted increase of the excise on beverages, that the most considerable excise is that on energetic drinks. This type of excise increased the amount collected on this tax. Since October 2014, by law this excise was cut for the energetic beverages. The excise collected on tobacco is decreasing from month to month, that means a positive effect that has resulted on

excise of this damaging product, talking about internal excise regime and not on importing excise. (not including the products which excise is paid in the moment the product is imported in the custom duty offices).

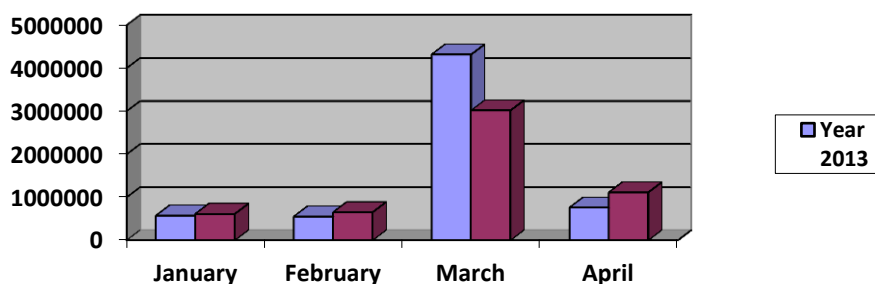


TABLE 8. ACTIVITY OF THREE DIFFERENT MARKS

Year	Month	Mark	Sum	Product	Activity	Im/Ex
2013	June	Mark 1	332424	Immature coffee bean	Coffee Layer	
	June	Mark 2	116251	Immature coffee bean	Importer, Coffee Layer	
	July	Mark 1	133650	Immature coffee bean	Coffee Layer	
	July	Mark 2	67068	Immature coffee bean	Importer, Coffee Layer	
	August	Mark 1	121500	Immature coffee bean	Coffee Layer	
	August	Mark 2	67068	Immature coffee bean	Importer, Coffee Layer	
	September	Mark 2	71539	Immature coffee bean	Importer, Coffee Layer	
	October	Mark 1	324648	Immature coffee bean	Coffee Layer	
	October	Mark 2	55890	Immature coffee bean	Importer, Coffee Layer	
	November	Mark 1	131706	Immature coffee bean	Coffee Layer	
	November	Mark 2	67068	Immature coffee bean	Importer, Coffee Layer	
	December	Mark 1	38394	Immature coffee bean	Coffee Layer	
	December	Mark 2	857741	Immature coffee bean	Importer, Coffee Layer	
2014	January	Mark 1	500580	Immature coffee bean	Coffee Layer	
	February	Mark 1	336798	Immature coffee bean	Coffee Layer	
	February	Mark 2	223560	Immature coffee bean	Importer, Coffee Layer	
	March	Mark 1	43740	Immature coffee bean	Coffee Layer	
	March	Mark 2	515317	Immature coffee bean	Importer, Coffee Layer	
	March	Mark 3	2400000	Energy drink	Energy drink Producer / Ex	
	March	Mark 3	1080000	Energy drink	Energy drink Producer / Ex	
	April	Mark 1	4476006	Immature coffee bean	Coffee Layer	
	April	Mark 2	357696	Immature coffee bean	Importer, Coffee Layer	
	April	Mark 3	1080000	Energy drink	Energy drink Producer / Ex	
	April	Mark 3	31497000	Energy drink	Energy drink Producer / Ex	
	May	Mark 1	454896	Immature coffee bean	Coffee Layer	
	May	Mark 2	597780	Immature coffee bean	Importer, Coffee Layer	
	May	Mark 3	6000000	Energy drink	Energy drink Producer / Ex	
	June	Mark 2	291600	Immature coffee bean	Importer, Coffee Layer	
	June	Mark 3	4550000	Energy drink	Energy drink Producer / Ex	
	June	Mark 2	58320	Immature coffee bean	Importer, Coffee Layer	

Source: The excise office in Shkodra

Comparing the data of first 4 months of two years (2013 and 2014) shows us an increase in income from excise from month to month. The economic figures are higher in 2014 than in 2013.

Mark 1 is coffee ellaborator the excercises its activity in Shkodra city. This subject is registered at excide office in Shkodra.



Mark 2 is ellaborator and importer of coffee that excercises its activity in Shkodra city and is registered in the excise office of Shkodra. This subject till may 2014 has exercised its activity only in coffee collaboration and its market, from june 2014 this subject was concentrated in coffee importing.

Mark 3 is producer of energic drinks. It exercises its activity in the city of Shkodra and produces energic beverages. This new law since october 2014 is changed again – by cutting the excise on energic beverages.

CONCLUSIONS

- **Variations on the new excise law** has brought many facilities for operators in the Office of excise. The businesses registered under this law have over the collection of excise duty facilities that is offered from this office. It was created the possibility that registered entities created tax warehouses in which there is an excise products that carry up to the time of sale.
- **Electronic data exchange** between customs offices, vendors and buyers is an important element that has improved the quality of service, because the information passes in real time to all electronic parties. The exchange tooth to some extent has managed to reduce the avoidance from payment of taxes for the completion of Excise office's need to decide the number of the invoices of sale of goods that pay excise.
- **Registered operators should approach to the rules and report in a periodic manner on invetory state.**
- **Coffee market:**
 - Variations on law no. 180/2013 “For excises on Albanian republic” did not bring variations of excise on coffee proction for year 2014; and
 - Mostly the imported coffee bean, is allaborated, packed and traded within Albanian territory.
- **Alcoholic energic beverages:**
 - The law no. 180/2013 “for excise in Albanian republic” took for the first time excise on the products of these categories – 50 All/ liter. This law improvement is present only in Kosovo legislation, according to the region; and
 - For energic beverages, the competition and the variety of prices between different marks is remarkable. From October 2014, though the income of excise from this category was very high, this tax was cut for this category.
- **Alcoholic beverages market:**

- Comparing the Albanian law on excise tax to the other countries of the region, in the Albanian legislation we have a scale of this tax according to the product, and volume production, from factory producers. The highest rate of excise tax in Albanian Republic, is for the strong beverages, that are higher than in Kosovo and Macedonia; and
- The beverage alcoholic market is made of vendor businesses, as well as from importing businesses.
- Variations on the excise tax law have influenced the producing, by cutting the importing.
- The exported products do not pay excise in Albania but abroad. The exporting of the vendor products is value added for Albania.

RECOMMENDATIONS

- Procedures shortage, to take the authorization to exercise the activity on excise operators, and to utilize the facilities, offered from the excise payment based on sales and not on total production or exported goods.
- Different levels of tax need to be applied. Lower excise level should be applied to the products produced in Albania than to the products imported. This would motivate mostly the vendor producers to produce more and extend their market.

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LIGJ Nr. 61/2012, Nr. 121/2012 për akcizar në Republikën e Shqipërisë

Resuming reports from general customs directorate.