Digitalization of Tax Services in Albania and its Impact on Taxpayer Self-Declaration and Compliance

Ledja Kokalari[1]

Erinda Guma[2]

[1]*PhD Cand., University of "Aleksandër Moisiu", Durrës, Albania*
[2]*Msc. , Regional Tax Directorate, Durrës, Albania*

Received: 25 September 2025 / Accepted: 15 November 2025 / Published: 25 December 2025
© 2025 Ledja Kokalari and Erinda Guma

Doi: 10.56345/ijrdv12n3s118

Abstract

In the era of technological development, economies are increasingly embracing digital transformation, reshaping the way businesses and individuals operate. Digitalization has emerged as a pivotal tool in public services of fiscal sector, driving efficiency, accessibility, transparency by reducing administrative burdens, fostering voluntary self-declaration of taxes by individuals and businesses. This paper brings to attention the importance of digitalization of tax services in a EU membership candidate country such as Albania. In recent years Albania has implemented significant tax reforms, including the adoption of e-filing, e-Albania services, e-invoicing, and real-time tax monitoring through the Fiscalization system. These reforms aim to simplify tax procedures, enhance compliance, improve transparency and reduce tax evasion. Despite these advancements, challenges persist, particularly for individual taxpayers and small businesses, which face difficulties related to compliance costs and technological adaptation. Moreover, these digital tax systems remain in a developmental phase and require continuous improvements to effectively meet taxpayers' needs in real time. This research is based on combining quantitative analysis of official statistics from General Directorate of Taxes, with document analysis of fiscal policies and digitalization strategies. The methodology aims to assess the impact of digital tax reforms on taxpayer self-declaration and compliance in Albania examining both the opportunities and challenges it presents. At the conclusions we will see that digitalization of tax services in Albania has improved taxpayer compliance and self-declaration, but continued support, simplification, and targeted policies are essential to maximize its effectiveness.

Keywords: *Digital taxation, tax compliance, e-invoicing, fiscal policy*

1. Introduction

Would you prefer to access a public service while sitting comfortably at your computer? What if that service is connected to tax declarations or payments?

In the era we are living in, digitalization has become an essential part of daily life. Technological development and access to information have fundamentally transformed our expectations regarding receiving services. The core of the digitalization of public services refers to the process through which state institutions transform the way they offer services to citizens and businesses through the use of digital technologies, in order to improve access, efficiency, transparency, and inclusion. According to Lindgren et al. (2019), the digitalization of public services does not simply involve the transition from paper forms to online formats, but implies a substantial change in the interaction between citizens and public authorities, transforming the citizens' experience in their contact with the state. Trischler & Westman Trischler (2022) underline that, in the digital age, users of public services are connected actors within a service ecosystem, and the

design of these services should be experience-oriented, not just functionality-oriented. Furthermore, Schou & Hjelholt (2018) argue that digitization co-evolves with the systems; it cannot occur in a political or institutional vacuum. From a more social perspective, Voss & Rego (2019) analyze the impact of digitalization on the quality of public services and highlight that this process creates new challenges for public employees and users, particularly regarding access, equality, and data management. The fiscal sector represents the most important part of a government, as it is directly linked to the generation of its revenues. Therefore, its digitalization requires special focus and a well-designed strategy. These tools should be integrated to enhance efficiency, reduce administrative burdens, and promote voluntary tax compliance. The strategic role of digitalization in improving service delivery to citizens and businesses, increasing institutional transparency, and reducing tax evasion, has become the main priority of modern fiscal governance.Albania, as a candidate for EU membership, started the digital transformation of public services and governance in recent years. Among the first services to undergo digital transformation were the fiscal ones. Although Albania has made rapid progress in this process, it has yet to fully benefit from digitalization. Challenges related to digital education, network improvement, costs reduction, and security still require further attention and solutions.

1.1 Main Objectives and the Significance of the Study

This paper seeks to answer two key questions related to the digitalization of fiscal services in Albania:What is the impact of the digitalization of fiscal services on voluntary compliance and tax self-declaration?What are the challenges faced by individual taxpayers and small businesses in adapting to the digitalization of tax services, such as digital literacy, cost, and system usability?Through an overview of Albania's progress in implementing digital tax reforms, including e-filing, e-Albania services, e-invoicing, and the Fiscalization system, by drawing on national statistics, international assessments, and institutional reports, the study analyzes how this process play its role on enhancing efficiency, transparency, and accessibility in tax administration. Moreover, it evaluates the current developmental state of Albania's digital tax infrastructure and determines the areas requiring further improvement for real-time responsiveness and inclusiveness. The findings highlight the need for more targeted interventions that include: more training support for individuals and small businesses, lower fiscalization costs and a more secure data system.

2. Literature Review

2.1 Theoretical Framework for the Digitalization of Tax Services

Digitalization in public services, especially the fiscal sector, has always been a research topic for many studies, because of its impact on tax compliance and transparency. This innovative process really reshaped the interaction between the state and the citizen. The implementation of information and computer technologies (ICT) not only increased the efficiency, but also transformed the communication channel between governments and citizens. Voss & Rego (2019) define it as a reorientation of service logic, moving from process-oriented to user-centered approaches, where citizens play an active role in co-producing services.

The beginnings of digitalizing tax services were seen in the late 1990s, when developed countries started to make the first steps in digitalizing tax services. The US and Canada launched their electronic filing (e-filing) system for a limited number of taxpayers and gradually expanded it (GAO 2002). In Europe, Nordic countries like Finland, Sweden and Norway began issuing digital IDs to taxpayers, laying the groundwork for secure authentication and online tax services (Heeks, 2001). These countries implemented systems for pre-populating tax returns using employer and bank data, a key innovation in trust-based tax regimes. Important organizations like OECD, played a significant role in guiding and assessing the growth of e-government. They released policy frameworks, insisting governments to embrace ICT for tax compliance, suggesting that digital channels could reduce costs, increase transparency, and improve tax morale (OECD, 1999)

In 2018, the European Commission launched an ambitious project to establish Europe's Digital Decade. This project profoundly affects the EU's relationship with the Western Balkans, which has been the main focus of EU activities for almost twenty years. The Agenda for the Western Balkans, aims to support its transformation to a digital economy and include the area in the EU's digital single market. This project covers Broadband Connectivity, Cybersecurity, Digital Strategy, Digital Economy and Society, and Research and Innovation. As a result, this process has not only reshaped the governmental organization of public services but also posed challenges for countries in the early stages of this transformation.

2.2 The importance of tax voluntary compliance

The achievement of voluntary compliance and self-declaration of taxes, has been a subject of research by various scholars. Its importance has become more evident in recent years. The need for a transparent, fair, and easy-to-understand fiscal system has been a necessity as the main way to foster voluntary self-declaration of taxes. According to Alm: Beyond the rational actor model, tax compliance is heavily influenced by normative factors, social interactions, and other socio-behavioral factors. Facilities, and especially small businesses and individuals, should be reminded that complying is the 'right thing to do.' Rules should be standardized and simplified, and regulators should regularly provide services and compliance assistance. These motivations often complement the classical approach and should be part of policy design (Alm, 2014).

Building effective policies for reducing tax evasion requires, first, understanding the behavioral aspects of the tax compliance decision. Individual attitudes toward compliance are strongly connected to social and cultural norms (Elster, 1989; Naylor, 1989). So, as a result, enhancing these norms, through increasing overall trust in government, can be a good policy instrument to replenish the usual enforcement options.

Referring to OECD publication "What Drives People and Businesses to Pay Tax" it is important to understand what motivates taxpayers to participate in, and comply with the tax system. All this is defined with the term "Tax morale", which can be explained as the intrinsic motivation to pay taxes. This is a vital aspect of the tax system, as most tax systems rely on the voluntary compliance of taxpayers for the bulk of their revenues (OECD, 2019).

All these authors bring to attention the importance of a well-designed fiscal system that relies on self-compliance and not just on penalties. The more the citizens believe in the fairness, transparency, and shared responsibility of the tax system, the more they voluntarily declare and pay taxes.

2.3 Digitalization of fiscal services in Albania and the legal framework

The first steps of the Albanian digitalization of tax services date on the early 2000s, with the World Bank modernization project for the Albanian Tax Administration. This project describes the early assistance in modernizing Albania's tax systems, including IT investments and institutional capacity building (World Bank, 2001). Although informatization had already begun, it was still only one-sided, with no interactive actions between the administration and businesses. It was used solely by the tax administration for data processing purposes, particularly to monitor VAT declaration data. However, this project marked the beginning of efforts to modernize the tax system through computerization. The C@TS system was developed as part of this project to automate the full tax cycle (taxpayer registration, declaration, payment, and auditing). Meanwhile, even though in the following years the modernization of the tax administration started to show positive effects in revenue collection, there were still limitations in the voluntary compliance of taxes by businesses.

Since during these years, the focus was only on audits, the desired results on voluntary declaration were still too far. With the intervention of the World Bank (WB) and SIDA(Swedish International Development Cooperation Agency) projects, the focus shifted toward taxpayer services and information. This led to the modernization of the tax return submission process for taxpayers, transforming it from manual to electronic. As a result, fulfilling fiscal obligations became simpler, eliminating the need for taxpayers to be physically present at the tax offices.

In 2007, the National Agency for Information Society (AKSHI) was tasked with coordinating state IT systems and information society development, under Law No. 248, April 27, 2007. The adoption of new legislation during this time enabled foundational e-government systems: a digital national civil registry, an electronic public procurement system, online tax services (from 2008), and electronic customs declarations. In 2011, the General Directorate of Taxes (GDT) introduced the e-filing platform, which was designed to allow businesses to fulfill the fiscal declarations online (World Bank, 2020). The e-filing system started to be used for VAT, profit tax, and personal income tax, and it was the final phase of the WB project for the modernization of Tax Administration.

From 2020, the General Directorate of Taxes (GDT) has implemented several digital initiatives, including e-filing, e-Albania integration, electronic invoicing, and the Fiscalization system, which requires real-time reporting of transactions to tax authorities. The primary goal was to ensure that all economic transactions are accurately recorded and reported. This helps to improve tax collection and creates a fairer environment for businesses by reducing unfair competition. These reforms aim to consolidate taxpayer interactions, reduce compliance burdens, and combat tax evasion, but also to build trust between businesses and the tax administration. The improvement of services enables the simplification of tax reporting and declaration, allowing businesses to focus more on growing their economic activity.

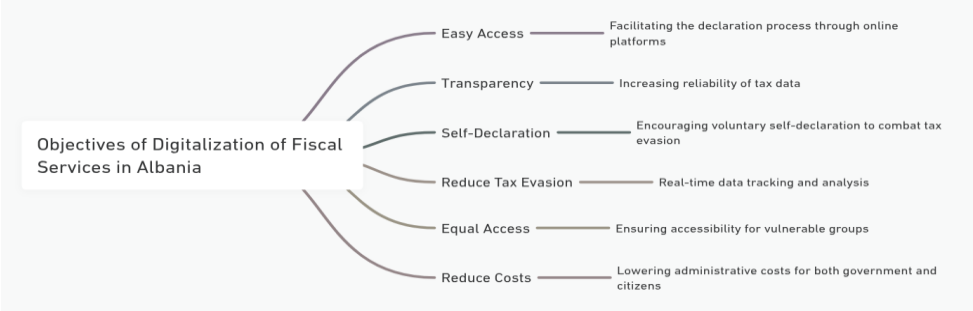


Figure 1: Objectives of Digitalization of fiscal services in Albania

The digitalization of public administration in Albania has advanced notably, especially after 2020, when the e-Albania platform (National Agency for Information Society, 2025) made more than 95% of public services available online. Along with other administrative information, this site provides a broad spectrum of services, including tax declarations, applications for personal papers, and licenses. According to the data from the National Agency for Information Society, "The monitoring plan of the Digital Agenda", the progress made can be summarized as follows.

Table 1. The progress of digitalization of public services (including fiscal ones) in Albania during the period 2015–2024

Year	Estimated number of online services	Main platform	Key progress
2015	14	e-Albania (initial phase)	First step toward digital governance
2016	50	e-Albania expansion	Increased awareness of using online services
2017	120	e-Albania, DPT online	Simplified procedures, more online verifications
2018	300	e-Albania	Increase in electronic self-declaration
2019	500	e-Albania	Better integration with tax systems
2020	700	Fiscalization begins	Start of fiscalization, new electronic invoice system
2021	950	Fiscalization consolidated	Phased implementation of fiscalization for all taxpayers
2022	1227	Active fiscalization and e-Albania	Only paperless services, digital signature usage
2023	1237	Integrated platforms	Increased interoperability among government systems
2024	1237	Interoperability architecture with 61 registries	Automation increase, 68% of forms auto-filled

The Albanian Tax Administration has launched its Integrity Plan (2024–2027) that places strong attention on strengthening public trust and service quality for taxpayers through institutional transparency, modernization, and digital development. This plan was introduced immediately after the launch of the government's Digital Agenda 2022–2026. The agenda was created to guide the next stage of transformation, highlighting advanced ICT areas such as artificial intelligence, cybersecurity, digital skills development, citizen participation and transparency (Digital Watch Observatory, 2022).

3. Methodology

This study is based on qualitative data by reviewing the literature on the digitization of fiscal services in Albania, the legal framework, reports from the Central Tax Administration (DPT), recommendations from the People's Advocate, and the World Bank regarding the progress of this process. It also employs a quantitative descriptive methodology, analyzing reports published and gathered by the Central Tax Administration (DPT). Data will be analyzed regarding tax declarations submitted by taxpayers from 2019 to 2023, in order to identify the impact of digitalization on the declaration and collection of revenues by the General Directorate of Taxes, as well as the effects that this process has brought on the self-declaration of tax obligations. Additionally, data will also be collected to assess whether this process has generated any additional costs for the taxpayers.

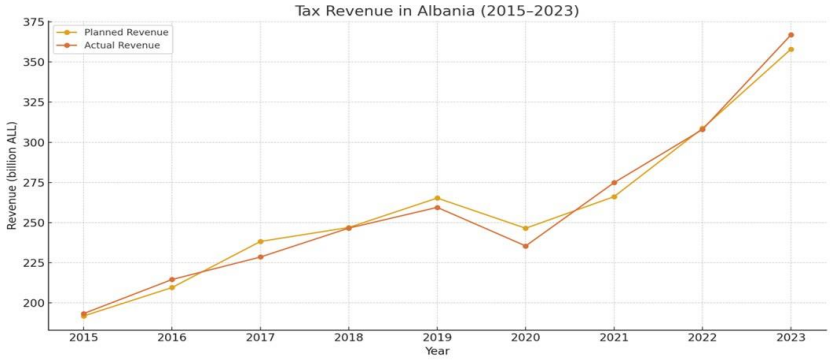
4. Data Analysis

The electronic declaration of taxes in Albania is influenced by several key factors that include both technological and institutional aspects. The technological infrastructure of the Central Tax Administration and the functionality of systems such as the central invoice platform "Self-Care" and e-Filing, play a crucial role in facilitating declarations, especially when integrated with other government platforms like e-Albania. In addition, effective communication and institutional support, through information campaigns and training for taxpayers, help increase the use of these platforms by improving the digital skills level of taxpayers, as the effective use of online platforms requires basic digital knowledge. Another factor that also seems to affect mostly the small businesses is the fiscalization cost. The costs of implementing digital declaration systems by small business taxpayers are also factors that influence this process.

4.1 The impact of digitalized tax declarations on Central Tax Administration (DPT) revenue performance

4.1.1 Trends in tax collections and revenue performance

According to data collected from Central Tax Administration (DPT) Annual Reports for the years 2015 to 2023, it is observed that the tax revenue collection performance has been steadily increasing. In 2015, the percentage of actual revenue collected exceeded the planned amount by 0.79%. This positive performance trend continued to grow, reaching 2.5% above the planned amount in 2023.



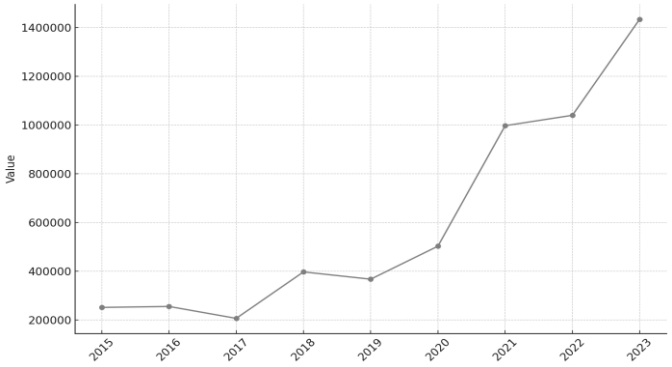
Graphic 1: Tax revenue Planned Vs Actual (Fact) in Albania 2015-2023 (DPT Reports 2015-2023)

The graph shows a steady increase in tax revenues from 2015 to 2023, with a temporary decline in 2020 due to the pandemic, followed by a swift recovery thereafter. As we can see, there is a positive correlation between the digitalization of tax services and the revenue collection by the Central Tax Administration (DPT). This is especially noticeable after 2021, when the effects of fiscalization and real-time invoice reporting began.

4.2 Trends in voluntary tax declarations (annual income declaration DIVA)

The impact of the digitalization of fiscal services can also be analyzed through the comparison of the number of potential declarations and self-declared ones. A measurable indicator for this effect is the annual income declaration by individuals who, according to the income tax law, are obliged to self-declare electronically within the respective deadlines. According to the data obtained from DPT regarding the total revenue declared from individuals who had the obligation to self-declare this tax, the comparison between years 2015 and 2023, can provide indicative data about the impact of digitalization on income self-declaration.

Based on these figures, the percentage of declared income tax (DIVA) in 2023 is nearly 83% higher compared to 2015, showing a noticeable increase in self-declaration and compliance.



Graphic 2: Individual income declarations revenue (DIVA 2015-2024) DPT annual Reports

While focusing again on the aspect of DIVA declarations, one measurable parameter is the on-time self-declaration by individuals who are legally obligated. According to data provided by DPT regarding the number of individuals who had the obligation and the actual number of declarations submitted in time for the year 2023, the potential declaration number was 73,850, and the number of self-submitted declarations was 65,910, resulting in 89,2% self-declaration. In 2024, following the amendment of the income tax law, the base of declarants expanded due to the lowering of the income threshold. The potential declaration number was 143,369, and the number of self-submitted declarations was 127,381, resulting in 88,8% self-declaration. A small difference of 0.4 is observed in 2024 when comparing the percentages of fulfilment, despite the growing number of declarants. This discrepancy may have resulted from the ambiguity encountered by individuals over the official deadline for submitting the DIVA form. While the modifications to income legislation did not completely take effect in 2024, the provision concerning DIVA did. Although the income threshold was lowered, individuals encountered uncertainty owing to insufficient information. As a result, the communication campaign for DIVA started at a later stage, following the release of legal guidelines.

4.3 Individual and business easy access and tax compliance

Nonetheless, if we examine the effects of digitalization from an alternative perspective, the influence is categorized into individuals or businesses, which may be assessed by the accessibility of the services offered. This will ultimately be manifested in tax compliance among businesses and, in certain instances, individuals as well.

According to the People's Advocate report, the digitalization effects were evident, especially after 2020, but this access was not equal if we refer to urban versus rural areas. Broadband investments in rural areas are lacking because investors do not perceive sufficient profit margins, since only a few citizens use it. Also, another factor that affects the ease of accessing digital tax services is the lack of technological devices among some individuals and the cost of implementing such systems, mostly for small businesses.

Table 2. Comparison of Digital Tax Services: Individuals Vs Businesses (People's Advocate, 2024).

Nr	Element	Individuals	Businesses
1	Access to services	High (urban)	High (especially after 2020)
2	Automation of declarations	Low	High via fiscalization
3	Ease of use	Simplified for basic use	Requires training/adaptation
4	Usage frequency	Daily for documents	Monthly/periodic for obligations
5	Main challenge	Lack of devices/access	Technical cost for adaptation

4.4 Business implementation costs

By examining the present expenses associated with the implementation of the fiscalization process, it is evident that each business has an additional annual cost to utilize fiscal services. This expense is determined by the lowest market rates

for the maintenance of fiscalization software and information technology logistics, excluding the initial purchase cost of the devices.

Table 3 Minimal Annual Business Costs for the Fiscalization Process

Nr	Cost type	Value
1	Electronic certificate	4.000,00 Lekë
2	Electronic signiture	4.800,00 Lekë
3	Annual internet fee	16.800,00 Lekë
4	Electronic devices (Computer, printer, costs on maintenance, excluding the initial purchase cost)	15.000,00 Lekë
5	Software maintenance (starting from)	6.000,00 Lekë
	TOTAL Annual costs	***46.600,00 Lekë***

5. Conclusions and Recommendations

This study demonstrates that the digitalization of fiscal services in Albania is producing concrete advantages. This initiative has crucially changed the delivery and approach to fiscal services, both from the perspective of the tax administration and that of the taxpayers. Progress in the quality of fiscal services has not only encouraged self-declaration but also increased taxpayers' trust in the tax administration due to improved transparency. These advancements signify important progress in modernising Albania's tax administration and paving the way for future EU integration.

Despite all these reforms, the journey towards a fully compliant tax system is ongoing. The reforms have highlighted areas that need attention, such as improving compliance among small businesses and individuals, and continuing to build trust between taxpayers and the tax administration. Publishing clear and accessible information on tax compliance and promoting the use of digital platforms for declaration is a necessary measure that should be taken. Emphasis should be placed on the prior informing of taxpayers regarding law changes and declaration requirements, to reduce penalties and increase the on-time self-declaration of tax obligations. For individuals, it is recommended that personalized notifications be delivered through the platform e-Albania, particularly for obligations related to tax declarations or payments.

Moreover, in order to increase the use of fiscal services in rural areas, it requires the undertaking of measures such as investments in the broadband infrastructure. The government needs to intervene through subsidies or fiscal incentives that can be offered to third parties willing to invest in this infrastructure. Also, an expansion of authorized parties for fiscalization could enhance competitiveness and lead to a reduction in the cost of fiscalization for taxpayers.

By addressing the identified challenges proactively, Albania can benefit from its digital tax transformation, reduce the informal economy, and strengthen its fiscal sustainability on the path towards European integration.

References

(PDF) Environmental Enforcement and Compliance: Lessons from Pollution, Safety, and Tax Settings
Albania - Tax Administration Modernization (English). Washington, DC: World Bank Group. http://documents.worldbank.org/curated/en/264171475072656475
Eurostat. (2022). Digital skills statistics. https://ec.europa.eu/eurostat
https://documents1.worldbank.org/curated/en/264171475072656475/pdf/000020051-20140529165828.pdf
https://www.avokatipopullit.gov.al/media/manager/website/reports
https://www.dap.gov.al/
https://www.sigmaweb.org/en/publications/public-administration-in-albania-2024
James Alm (2014) Environmental Enforcement and Compliance: Lessons from Pollution, Safety, and Tax Settings
OECD. (2001). Tax administration in OECD and selected non-OECD countries: Comparative information series. https://www.oecd.org/en/topics/tax-administration.html