

FINAL REPORT

A STUDY ON THE VALUE
ADDED TAX (VAT)
REIMBURSEMENT FOR EXPORTERS

Conducted by:

The Albanian Center for Competitiveness
and International Trade
(A C I T)

Tirana, June 2010

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BACKGROUND

One of the major tax policy issues that have emerged in public debates on the Albanian economy is the significant delay exporters experience in receiving their Value Added Tax (VAT) reimbursement from the Government of Albania (GOA).

By law, exporters are entitled to receive the reimbursement of the VAT they have paid within thirty days of submitting a claim for reimbursement. However, in practice, it often happens that many companies must wait much over the legal timing to receive these funds, creating a cash flow problem for them and other additional financial cost. This becomes an even more problematic factor during crisis periods, when access to credit lines has been withdrawn or are no longer available thereby exacerbating the cash flow challenges faced by these producers. Many companies face either a decrease in the level of sales and exports, or the need to cut their operative expenses and investments, or to find new financing alternatives, all because of the limited cash flow, caused in part by the delay in receiving their VAT reimbursements. Improving VAT reimbursement policy and practice would enable firms to have adequate cash to expand their businesses and provide the Government of Albania with increased tax revenues.

Even though efforts have been made by Ministry of Finance and the General Directorate of Taxation to further improve the situation,¹ according to the public declarations of the business organizations, yet, it is clear that

*This is a **Final Report** prepared by **Artan Gjergji** and **Arianit Shkurti**, *associated experts* of ACIT. It was a subject of review and comments by stakeholders such as: donors, Ministry of Finance and business community through two events: a preliminary presentation of findings on April 8th, 2010 and a roundtable with key stakeholders: “VAT Reimbursement for Exporters: Cost, Implications and Challenges” on May 21, 2010. The Final Report includes almost all findings, comments and suggestions made by the stakeholders.

¹ The Albanian Parliament approved Law No 10 148 dated 28 September 2009 on some amendments to Law No. 9920 dated 19.05.2008 “On Tax Procedures”.

much remains to be done in order to have a positive and real impact on business community. By amending recently the legal and regulatory framework on VAT reimbursement, Government of Albania implemented for the first time the “*silence is consent*” principle in the tax refund procedures. According to the changes, the tax administration should verify the accuracy of the VAT amount claimed for the reimbursement within 30 days from the submission date of a request. If the conditions for reimbursement are met, the tax authorities should revert to the taxpayer with an official confirmation and reimburse the claimed amount in the account of the taxpayer. Otherwise, if the tax authorities do not comply with the payment of the amount approved for reimbursement, the taxpayer has the right not to pay other future tax liabilities up to the not reimbursement VAT amount.²

² see KPMG Albania 2009, Tax Alert Bulletin, October 2009, <http://www.kpmg.com.al/index.shtml/en/about/news/index.html?cid=52616e646f6d49567aa157b61077260ffe0a727337f15134>

OBJECTIVE

The objective of this study is to analyze the level of negative impact on the activity and performance of export-oriented companies caused by the non-refunded Value Added Tax (VAT). The Albanian Center for Competitiveness and International Trade (ACIT) was contracted by USAID's Rritje Albania/Competitive Enterprise Development Project to study the Government of Albania's VAT reimbursement policy and implementation, in order to analyze and determine what the main problems are and to propose and lobby on possible ways to improve procedures and ensure timely VAT reimbursement. Together with the identification of challenges to timely reimbursement, the study aimed also the assessment of the economic impact: costs and benefits of VAT reimbursement in specific export industries, including measurement of the value of VAT reimbursements outstanding to firms in specified export sectors and the average time period to receive VAT reimbursement after the application. It should be mentioned that, while calculating these costs we didn't take into account the level of corruption or the so called "petty-money" claimed to be paid by the business.³ The results, analytical findings and the recommendations of this study were presented to GOA and tax authorities, in order to undertake the necessary steps regarding the improvement of the VAT reimbursement process. As part of this project, a roundtable with stakeholders (donors, Ministry of Finance, General Directorate of Taxes, the two business associations for garment and footwear producers, and business community) was organized on May 21, 2010 to obtain clear feedback from these partners.

³ This important factor, which poses a real "cost" for the businesses was not included into the questionnaire, for two main reasons: *firstly*, the difficulty to collect accurate data for this component which presents statistical problems because *there is a tendency not to declare what is paid in reality*, and *secondly*, because such question might intimidate the business creating a negative impact on the other answers to the questionnaire.

METHODOLOGY AND SAMPLING

After reviewing the most updated legislative and policy material in a desk review on VAT and its reimbursement for exporters, ACIT identified a list of 250 Albanian exporting firms emphasizing a cross section of those in apparel/textile, footwear, recycling and ICT sectors, as a sample group to be interviewed about VAT reimbursement issues. The time period considering VAT reimbursement experience covered the year 2008 and the first half of 2009.⁴ The sampling methodology used implied a randomized choice of *clusters* of each sector on a regional base, keeping similar representation of the sectors distribution alike the “*target population*” (exporting companies). The questionnaire was designed to examine in detail the correlation (elasticity and sensitivity) between VAT reimbursement regulations and the overall business performance of exporting firms, i.e. the impact on cash flow, sales and jobs, as well as on the government budget itself. Following the fieldwork to collect data using the questionnaire and the statistical analysis and elasticity estimations, the ACIT team prepared a summary of the main findings as below.

⁴ It means that the data required by the exporting companies interviewed cover this period of time.

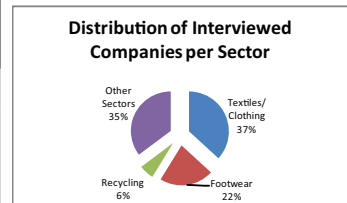
BUSINESS EXPERIENCE WITH VAT REFUND

A) Characteristics of Selected Companies

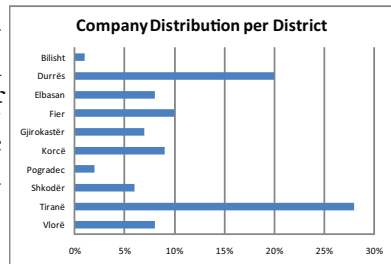
As Table 1 shows, most of the companies⁵ interviewed are from footwear and textile sector (nearly 59%). On the other side, while almost 6% of the interviewed companies perform their activity in the recycling sector, around 35% operate in other sectors (ITC, wood industry, or other specified).

Table 1: Sector Distribution

Sector	No. of Companies	Percent
Textiles/Clothing	92	36,8
Footwear	55	22,0
Recycling ⁶	15	6,0
Other Sectors ⁷	88	35,2
Total	250	100,0



According to the Table 2, most of the interviewed companies are located in central and coastal areas of the country. Almost half of the surveyed companies, 48% of them, are located in the central districts of the country, Tirana and Durres. These two districts, together with big districts such as Elbasan Vlore and Fier, hosted around 75% of surveyed companies. Some of the reasons that explain these locations are related



⁵ For the purpose of this study the word “company” used in the text shall mean any kind of legal entity, despite the legal status or form, which operates in one of the fields specified in the sampling (textile, footwear, recycling, etc) and is engaged in the exporting activities.

⁶ For the purpose of this study, recycling companies are considered those who process end export recycled materials such as aluminum, iron, plastic and paper.

⁷ Other sectors are companies such as: information and technology, furniture companies, toy producing companies, paper and plastic material companies etc. No company operating in the exporting of services have been part of the study.

to the better access to labor force, better access to the sea ports and other borders, low transportation costs, etc. Only 17% of the interviewed companies are operating in south and southeast areas, while 6% is the share of those companies operating in northern area of the country.

Table 2: Sector and Geographic Distribution

Sector	Company District Location									
	Bilisht	Durres	Elbasan	Fier	Gjirokaster	Korce	Pogradec	Shkoder	Tirane	Vlore
Textile	1,1%	18,5%	6,5%	10,9%	12,0%	5,4%	1,1%	6,5%	25,0%	13%
Footwear	1,8%	25,5%	9,1%	18,2%	5,5%	7,3%	0%	5,5%	23,6%	3,6%
Recycling	0%	6,7%	20%	6,7%	6,7%	0%	0%	6,7%	46,7%	6,7%
Other Sector as specified	0%	20,5%	6,8%	6,8%	3,4%	15,9%	3,4%	6,8%	30,7%	5,7%

As seen from the data on Table 3, at the districts of Tirana and Durres there is a uniform distribution of the companies according to their size⁸. This means that data received from the questionnaire fits properly to the representative sample selected by this study. Meanwhile, medium sized companies are more dominant on the other districts of Albania which are subject of this study. There are only 2 companies under the sample, which according to the Law on SME-s can be considered as micro-companies.

Table 3: Geographic Distribution versus Company Size (no. of companies)

Company District Location	Company Size by Employment				
	Micro companies	Small Companies	Medium companies	Big Companies	Total
Bilisht	0	0	2	0	2
Durres	0	14	20	16	50
Elbasani	0	4	11	5	20
Fier	1	12	10	4	27
Gjirokaster	0	1	12	5	18
Korce	1	4	14	4	23
Pogradec	0	0	4	0	4
Shkoder	0	3	9	4	16
Tirane	0	12	26	32	70
Vlore	0	5	9	6	20
Total	2	55	117	76	250

⁸ Based on the definition of SME-s according to law no. 8957, date 17.10.2002, "On Small and Medium Enterprises". Referring to the number of employees. However, the turnover of the all interviewed companies was about the VAT threshold.

The same picture is noticed when geographical distribution of the companies is analyzed from the share of exports in their output (*see* Table 4). Thus, a more reasonable distribution of export share versus output is done in Tirana and Durres (48%) with a clear dominance of the companies which export the whole product. In this respect, roughly 28% of the all companies (69 over 250) under the study which export 100% of their products are located in Tirana and Durres districts.

It is important to mention that from the questionnaire results, comes out the fact that 0.8% of the interviewed exporter companies are micro-companies, 22% are small companies, 46.8% are medium companies and 30.4% are big companies.

**Table 4: Geographic Distribution vs. Share of Output being Exported
(no. of companies)**

Company District Location	Share of output being exported						Total
	100%	80 - 100%	60 - 80%	40 - 60%	20 - 40%	Less than 20%	
Bilisht	1	0	0	0	0	1	2
Durres	36	5	5	4	0	0	50
Elbasani	11	0	7	2	0	0	20
Fier	21	4	1	1	0	0	27
Gjirokaster	8	1	4	4	0	1	18
Korce	13	0	0	0	4	6	23
Pogradec	2	0	0	0	1	1	4
Shkoder	11	1	3	1	0	0	16
Tirane	33	8	16	9	2	2	70
Vlore	14	3	2	1	0	0	20
Total	150	22	38	22	7	11	250

35.6% of the sample companies which export the whole output are small and medium companies, while only 24% under the same category (exporting all products) are big companies. As noticed from the Table 5, small and medium size enterprises have a more reasonable distribution of the export share versus output with a clear dominance of the companies exporting 100% of their products.

**Table 5: Company Size versus Share of Output being Exported
 (no. of companies)**

Company Size by Employem.	Share of output being exported						Total
	100%	80 - 100%	60 - 80%	40 - 60%	20 - 40%	Less than 20%	
Micro Companies	1	1	0	0	0	0	2
Small Companies	21	4	14	11	2	3	55
Medium Companies	68	13	16	9	5	6	117
Big Companies	60	4	8	2	0	2	76
Total	150	22	38	22	7	11	250

All interviewed companies are registered taxpayers in Albania (Albanian residents for tax purposes), out of which, almost 72% are Albanian independent companies. Around 22% operate as branch of foreign companies, while 6.4% of the companies work only under inward processing regime type of activity for a foreign partner (*see* Table 6).

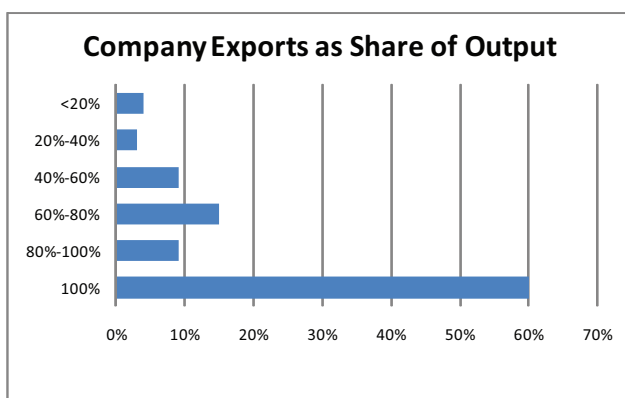
Table 6: Status of the Company

Type of company	No. of Companies	Percent
Stand Alone Company	180	72,0
Under Inward Processing Regime Company	16	6,4
Foreign Company Branch	54	21,6
Total	250	100,0

Of these mentioned sub-groups, stand-alone companies dominate each of sectors subject to this study, except for the recycling sector where the distribution of the companies is more equilibrated, still with a light dominance of the stand-alone companies. While active processing companies show a light presence in the sectors of textile/clothing and footwear, they have a relatively stronger presence in the field of recycling. What is important to stress out from the Table 7, is that branches of foreign companies size on average a quarter (starting from 15%-27%) of the whole exporting sectors included in this study.

Table 7: Status of the Company per different Sectors

Sector	Stand Alone Company	Active Processing Company	Foreign Company Branch
Textiles/Clothing	75,0%	9,8%	15,2%
Footwear	70,9%	1,8%	27,3%
Recycling	40,0%	33,3%	26,7%
Other Sector as specified	75,0%	1,1%	23,9%



As shown in Table 8, more than 84% of the interviewed companies export above 60% of their output. Only 8.8% of the sampled companies export between 40%-60%, while the rest of 7.2% export less than 40% of their products.

Table 8: Share of the Company Output being Exported

Share of exports on total	No.	Percent	Cumulative Percent
Exports 100% of its product	150	60,0	60,0
Exports between 80% -100%	22	8,8	68,8
Exports 60% - 80%	38	15,2	84,0
Exports between 40% - 60%	22	8,8	92,8
Exports between 20% - 40%	7	2,8	95,6
Less than 20%	11	4,4	100,0
Total	250	100,0	

From Table 9 we can easily notice that textile and footwear sectors heavily export their output. Most of the companies interviewed in this sector have declared to export between 80 to 100% of their output. Thus, around

83% of the companies which export the whole output belong to textile and footwear sector. Similarly, companies coming from these sectors are around 55% of the companies which declared the export level of the outputs between 80%-100%.

Table 9: Share of the Company Output being Exported per Sector

Share of exports on total	Textiles	Footwear	Recycling	Other Sector
Exports 100% of its product	54,0%	28,7%	2,7%	14,7%
Exports between 80% and 100%	18,2%	36,4%	18,2%	27,3%
Exports between 60% and 80%	7,9%	0%	18,4%	73,7%
Exports between 40% and 60%	4,5%	9,1%	0%	86,4%
Exports between 20% and 40%	28,6%	14,3%	0%	57,1%
Less than 20%	9,1%	9,1%	0%	81,8%

As related to the history of exporting, that “tradition” is already created in Albania, as the majority of the interviewed businesses reported a relatively long export experience, while new entries are rare (Table 10). Most of the companies (more than 80%) in the correspondent sectors (textile and footwear) have declared to be engaged in exports for more than three years now (see Table 11).

Table 10: How long Companies have been exporting

Export history	No.	Percent	Cumulative Percent
More than 3 years	201	80,4	80,4
1 to 3 years in export	40	16,0	96,4
Less than one year	9	3,6	100,0
Total	250	100,0	

Table 11: Export Time per different Sector

Sector	More than 3 years	1 to 3 years in export	Less than 1 year
Textiles/Clothing	88,0%	9,8%	2,2%
Footwear	81,8%	14,5%	3,6%
Recycling	60,0%	26,7%	13,3%
Other Sector as specified	75,0%	21,6%	3,4%

B) Business Experience with VAT Reimbursement

Almost all the interviewed companies (99.8%) have confirmed to have submitted VAT reimbursement claims⁹ to the tax administration. It is evident from the answers in Table 12 is that the amounts of VAT claims by the exporters are large values – (nearly 90% of the companies have claimed more than 800.000 ALL).

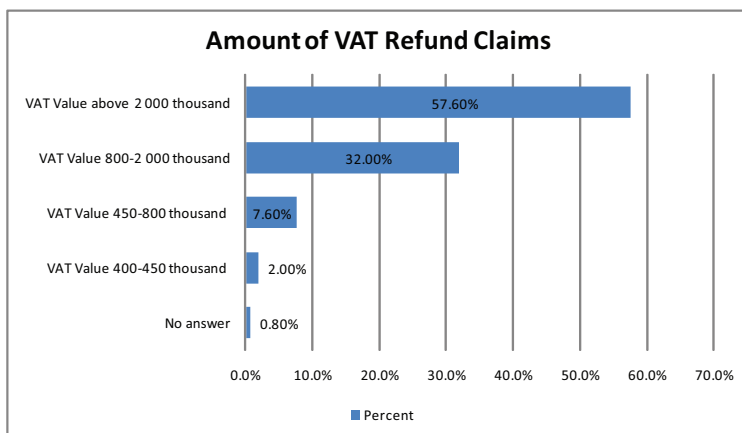


Table 12: VAT Reimbursement Claims

VAT Reimbursement Claims (in thousand ALL)	No.	Percent	Cumulative Percent
400 to 450	5	2,0	2,8
450 to 800	19	7,6	10,4
800 to 2 000	80	32,0	42,4
above 2 000	144	57,6	100,0
Total	250	100,0	

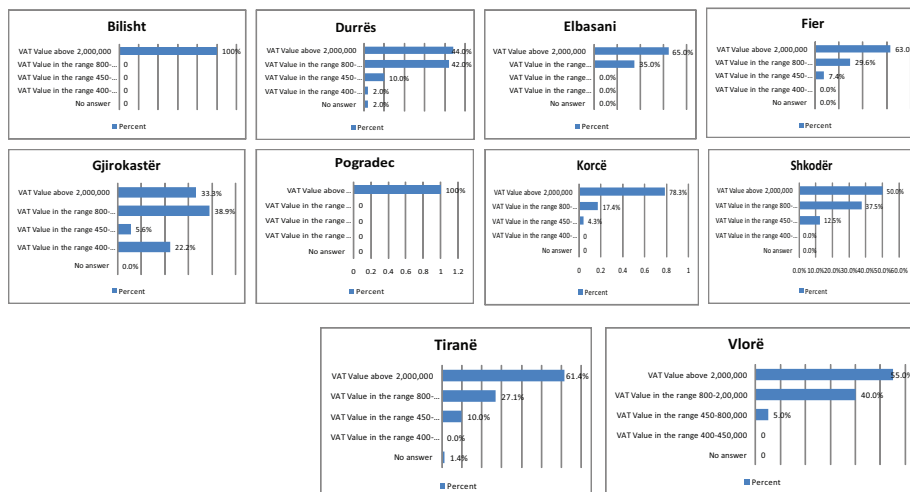
It is interesting to mention, that from the survey results that small regions (Pogradec, Bilisht, Korca, Fier and Elbasan) have higher incidence of large values of VAT reimbursement claims. Meanwhile, situation in Shkodra and Durres is slightly at a lower level (*see* Table 13).

⁹ With the term “claim”, in this study should be understood the amount of VAT cash, which the company has officially applied to receive from the tax authorities.

Table 13: VAT Claims versus Geographic Distribution (*no. of companies*)

VAT reimbursement claims (in 000 ALL)	Company District Location									
	Bilisht	Durrës	Elbasan	Fier	Gjiro-kaster	Korçë	Pogra-dec	Shkodër	Tiranë	Vlorë
No Answer	0	1	0	0	0	0	0	0	1	0
400 to 450	0	1	0	0	4	0	0	0	0	0
450 to 800	0	5	0	2	1	1	0	2	7	1
800 to 2.000	0	21	7	8	7	4	0	6	19	8
above 2.000	2	22	13	17	6	18	4	8	43	11
Total	2	50	20	27	18	23	4	16	70	20

VAT Claim by Location (District)

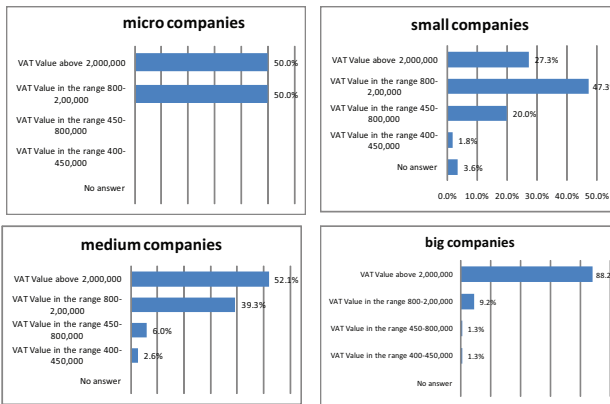


Regarding the VAT reimbursement claims by the company size, around 86% of the small and medium enterprises declare to have a VAT reimbursement claim over 800.000 ALL. The share of big enterprises is almost the same (around 88%). It might imply that the incidence of VAT non-reimbursement is much higher at small and medium enterprises.

Table 14: VAT Claims versus Company Size (no. of companies)

VAT reimbursement claims (in thousand ALL)	Company Size by Employment				
	Micro companies	Small Companies	Medium companies	Big Companies	Total
No Answer	0	2	0	0	2
400 to 450	0	1	3	1	5
450 to 800	0	11	7	1	19
800 to 2.000	1	26	46	7	80
above 2.000	1	15	61	67	144
Total	2	55	117	76	250

VAT Claims versus Company Size

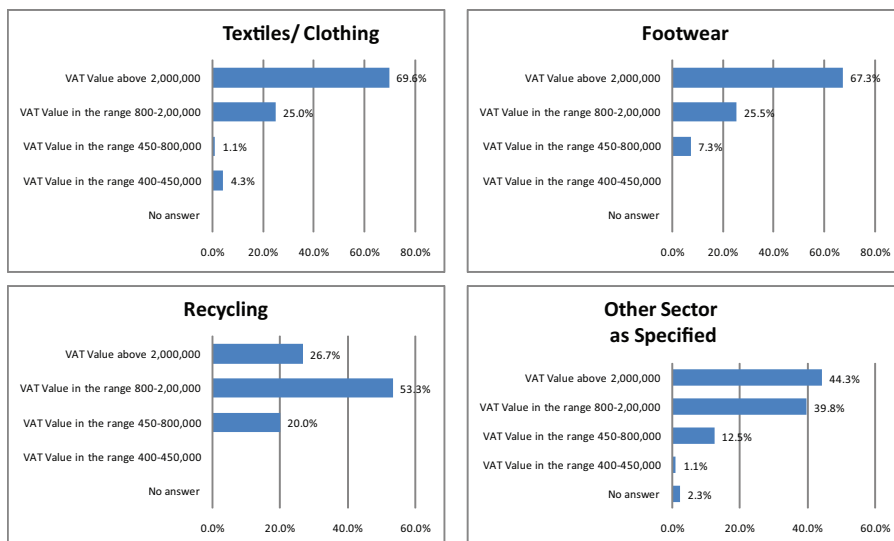


The VAT reimbursement claims seems to be quite similar in all sectors. Based on the findings from the Table 15, around 90% of the sample companies operating in textile, footwear and recycling claim more than 800 thousand ALL reimbursements from the tax administration.

Table 15: VAT Claims in categories per different Sectors

VAT reimbursement claims (in thousand ALL)	Textiles	Footwear	Recycling	Other Sector as specified
400 to 450	4,3%	0%	0%	1,1%
450 to 800	1,1%	7,3%	20,0%	12,5%
800 to 2 000	25,0%	25,5%	53,3%	39,8%
above 2 000	69,6%	67,3%	26,7%	44,3%

VAT Submitted Claims by Sector



Regarding the type of companies (Table 16), it is noticed that domestically registered stand alone companies and foreign company branches have a higher share of VAT reimbursement claim compared to the inward processing ones. However, there is no difference regarding the VAT refund for all types of companies (businesses) as they all are Albanian tax (VAT) payers.

Table 16: VAT Claims in categories, per different Type of Company

VAT reimbursement claims (in thousand ALL)	Stand Alone Company	Under Inward Processing Regime Company	Foreign Company Branch	Other Company
400 to 450	0%	18,8%	3,7%	,0%
450 to 800	6,1%	12,5%	11,1%	,0%
800 to 2 000	28,3%	37,5%	42,6%	,0%
above 2 000	64,4%	31,3%	42,6%	,0%

As Table 17 shows, both extremes of exporting level of output (those who export 100% and those with less than 20%) have declared higher percentage of VAT reimbursement claims, compared to those companies that have a more balanced activity (exporting and selling domestically).

Table 17: VAT Claims in categories, versus Share of Output being Exported

VAT Reimbursement Claims (in thousand ALL)	Share of output being exported					
	100%	80 - 100%	60 - 80%	40 - 60%	20 - 40%	Less than 20%
400 to 450	1,3%	4,5%	0%	4,5%	0%	9,1%
450 to 800	2,7%	4,5%	18,4%	22,7%	14,3%	9,1%
800 to 2 000	24,7%	36,4%	47,4%	63,6%	42,9%	0%
above 2 000	71,3%	54,5%	34,2%	4,5%	42,9%	72,7%

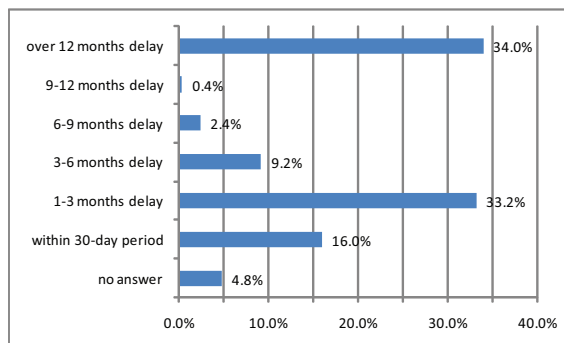
From Table 18, we see that only 16% of the sample companies are reimbursed in time, while more than 33% have experienced a delay of 1 to 3 months. The higher share belongs to those reimbursed with a delay of over 12 months, or not reimbursed yet up to the time of interview (34%).

Table 18: Average Time of Reimbursement

Timing of VAT reimbursement	No.	Percent	Cumulative Percent
No Answer	12	4,8	4,8
Immediate	2	0,8	5,6
In due time	38	15,2	20,8
Within 1 to 3 months	83	33,2	54,0
Within 3 to 6 months	23	9,2	63,2
6 to 9 months	6	2,4	65,6
9 to 12 months	1	0,4	66,0
Over 12 months	85	34,0	100,0
Total	250	100,0	

The VAT reimbursement time period

As seen from the following graph, almost a similar picture is noticed at all sectors. This phenomenon may come due to the bureaucratic steps to be undertaken, which keeps the exporters away from the authorities. It also may



be related with own accounting and fiscal problems of some companies because of their lack of will or hesitation to be transparent in front of tax authorities.

Time scale of VAT refund per Sector

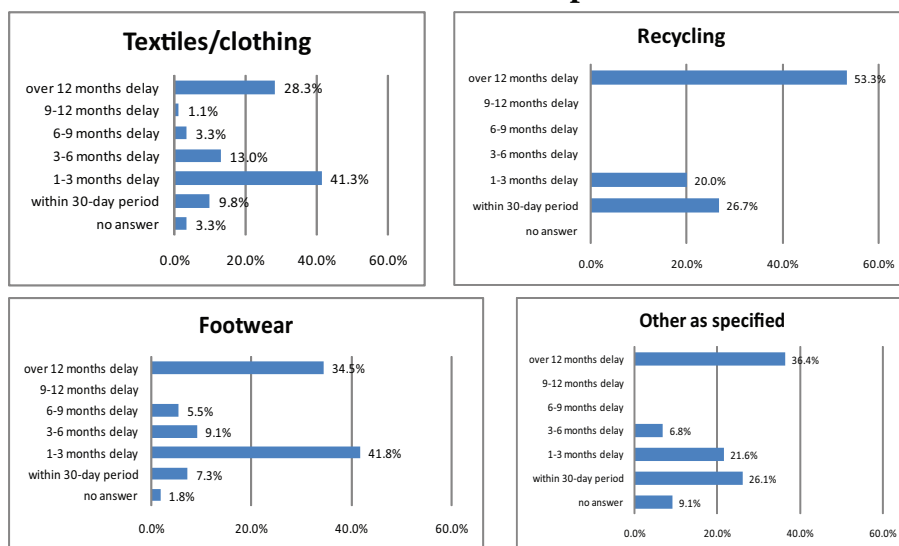


Table 19: VAT Claims by Period of Reimbursement

VAT Reimbursement Claims (in thousand ALL)	No Answer	Immediate	In due time	Within 1 to 3 months	Within 3 to 6 months	Within 6 to 9 months	Within 9 to 12 months	Not processed at all
400 to 450	0,0%	0,0%	20,0%	20,0%	20,0%	0,0%	20,0%	20,0%
450 to 800	0,0%	0,0%	57,9%	5,3%	0,0%	0,0%	0,0%	36,8%
800 to 2 000	3,8%	0,0%	28,8%	23,8%	5,0%	1,3%	0,0%	37,5%
above 2 000	6,3%	1,4%	2,1%	43,1%	12,5%	3,5%	0,0%	31,3%

For higher values of VAT claims (especially those above 800 thousand ALL) it seems that the most frequent interval of delay is 1 to 3 months.

Regarding the explanations that the companies give on missing reimbursement or delays, (see Table 20), a sound majority (72%) declare that complicated and too long fiscal procedures are the main cause.

Table 20: Reasons of Missing Reimbursement or Delays

Reasons given	No.	Percent	Cumulative Percent
No Answer	57	22,8	22,8
Its company problems	10	4,0	26,8
Long and complicated fiscal procedures	182	72,8	99,6
Other	1	0,4	100,0
Total	250	100,0	

When asked about legal measures that companies had undertaken in case of delays or not refunded VAT, all of them (100%) responded that they have never addressed to the appeal body or to court. Despite the opportunity given at the questionnaire to comment on the reasons why they did not address such issue, no company made any statement.

C) Level of Information on VAT Reimbursement

Legislation and Procedures

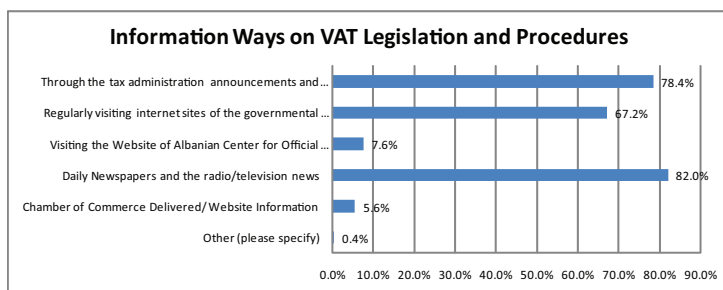
Regarding the information on VAT reimbursement regulatory framework, as indicated by Table 21, the majority of the sample exporting companies state they are informed through media channels (around 82%), as well as through public announcement on tax registration and official web sites of the General Directorate of Taxation (roughly 78%).

In this respect, media is considered a very important initial source of information regarding changes on the VAT refund procedures. After getting the first information from media, it is believed that business community starts to look for detailed professional information from the tax authority's web site or any other official source of information.

Table 21: Information ways on VAT Legislation and Procedures

Mean of getting information	No.	Percent
Announcements and publications of tax Administration	196	78,4%
Regularly visiting the internet sites of the GOA institutions	168	67,2%
Visiting web site of "Albanian Center for Official Publications"	19	7,6%
Daily newspapers and the radio/TVs	205	82%
Chamber of Commerce' delivered/web site information	14	5,6
Other sources	2	0,8%
Total of interviewed companies	250	

Another reason why exporting companies are informed through public announcements and official web site of the tax authorities is that starting from 2009 the businesses under the VAT regime, started to declare their tax liabilities directly online, through the website of the General Directorate of Taxation (GDT).¹⁰ These procedures have increased in a considerable way the access of the business community to every kind of information released by tax authorities keeping them in touch with most recent developments regarding VAT reimbursement procedures.



It is worth to mention the low level of information business get from the Chambers of Commerce and Industry (only 5.6%). In our view, it does not come because of the latter, but mainly because of the low level of collaboration the business community has with these institutions from year-to-year. There are reasons to believe that a better organization of businesses (either through chambers or sector based organizations), would give more power to the voice of the business regarding activity problems such as VAT reimbursement, customs reference prices, administrative issues etc. The experience of the developed countries has shown that lobbying through such institutions, increases the pressure on the tax authorities, forcing them to take into account even the feedback of the business community for the reforms implemented.

¹⁰ As a part of the ongoing reform and modernization of the tax system in Albania, supported also by the Millennium Challenge Albania project, administered by USAID, the new Decision of the Minister of Finance, no 17, dated on 13.05.2008, “On the Value Added Tax”, removes the requirement of the monthly submission of sales and purchases books, while reconfirming both, the legal obligation for accurate and regular record-keeping by businesses as well as the principle of self-declaration and selective tax audits. Starting from January 2010 even VAT businesses in other big towns of the country can file their tax obligations online. (source: GTD official web site, www.tatime.gov.al).

D) Effect of recent Legal Reforms on VAT Reimbursement Process

As a part of the ongoing reform and modernization of the tax system in Albania, supported also by the Millennium Challenge Albania (MCATA II) project, financed by USAID, the development and approval of the new law no. 9920, dated 19.5.2008 “On Tax Procedures in the Republic of Albania”, the Guidance of the Ministry of Finance no. 24, dated 2. 9. 2008 “On Tax Procedures”, as further improved latter and the Guidance of the Minister of Finance, no 17, dated on 13.05.2008, “On the Value Added Tax”, enabled significant improvements in VAT reimbursement related provisions and procedures, but still, proper implementation of such new provisions, remain a big challenge for the Albanian Tax Administration.

The law no. 10184, dated 28.9.2009, which introduced a new provision (article 75/1) to the Law no. 9920 date 19.5.2008 “On Tax Procedures in the Republic of Albania”, creates proper basis to significantly improve the VAT reimbursement. Under this new provision (article 75/1 “VAT reimbursement and compensation of tax obligations”), VAT taxpayers, if not reimbursed within 30 days from the date of presenting the reimbursement requests, they have the right not to pay other tax dues up to the amount of VAT reimbursement requested. This law required the issuance of an Guidance of the Ministry of Finance to define procedures for implementing the above provisions, which was done with the Instruction of the Minister of Finance no.6, dated 19.2.2010. This secondary legislation provides manners and technical procedures for VAT reimbursement and for compensation of other tax dues with refundable VAT.

When asked on the impact of the recent legal amendments¹¹, which aims to simplify VAT reimbursement procedures, roughly 73% of the surveyed companies declared that there are still difficulties and that they have not yet been able to produce a tangible impact (see Table 22). The amendment has been effective for a short time, therefore businesses might not be familiar with these revised procedures, which might have influenced the perception of businesses on the issue.

¹¹ According to the article 75/1 (*new article as part of the amendments made on VAT reimbursement*), of the Law No. 9920 dated 19.05.2008 “On Tax Procedures”, the technical procedures to regulate the process of subtracting not refunded VAT from the future VAT obligations for businesses will be defined by a Guidance issued by the Ministry of Finance. This Guidance entered in force on March 15th, 2010

Table 22: Did the recent legal amendments improve the situation on VAT refund?

Answers	No.	Percent	Cumulative Percent
No Answer	15	6,0	6,0
Yes, the last amendment has improved the situation	53	21,2	27,2
Not yet, there are difficulties	182	72,8	100,0
Total	250	100,0	

Referring to the findings from the Table 23, there are not so high expectations on firm side from the possible VAT exclusion of imported machinery and technology. This could be explained because machinery represent a long-term and tangible investment in assets, which is not renewed frequently. Moreover, the majority of surveyed companies are considered as “experienced” in the market, which means they already bought their machineries several years ago. Therefore, it is logical that the reimbursement of VAT in such products is not a priority for these exporters.

Table 23: Impact of VAT Reimbursement from Imported Machineries

Impact	No.	Percent	Cumulative Percent
No Answer	13	5,2	5,2
Moderate effect	81	32,4	37,6
Averagely Important	133	53,2	90,8
Very Important	23	9,2	100,0
Total	250	100,0	

E) The Cost of Delayed or Non-Refunded VAT

The sampling companies’ results show that the effect of VAT delayed/non-refund phenomena on liquidity of company is considered as an existing negative factor. Additionally, it is important to mention that, even though the Article 76 of the law “On Tax Procedures”, clearly states that interest on each day of delay for the non reimbursed VAT should be paid to the busi-

nesses, the survey results show that only 34 taxpayers (13% of the sample) has received such interest together with their claimed VAT (*see* Table 24).

Table 24: Payments of the Interest on VAT Reimbursement Delays

Interest payments	No.	Percent	Cumulative Percent
No Answer	216	86,4	86,4
Yes, all interest as per legislation	1	0,4	86,8
Only in some cases	33	13,2	100,0
Total	250	100,0	

The majority of the sample companies have declared that, apart from the omitted interest, delays in VAT reimbursement have impacted their cash flow (short-term liquidity). Thus, based on the data generated by the survey (*see* Table 25), around 47% of the interviewed companies state that the delay on reimbursement have impacted their everyday cash flow to some extent, while for 34.4% of them the delay has created a high liquidity influence.

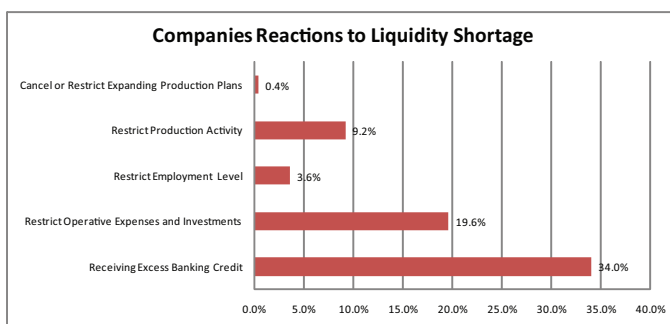
Table 25: Impact of the VAT Reimbursement Delay on the Liquidity

Impact on the liquidity	No.	Percent	Cumulative Percent
No Answer	47	18,8	18,8
At some degree	117	46,8	65,6
Highly influenced liquidity	82	32,8	98,4
Substantially	4	1,6	100,0
Total	250	100,0	

Regarding the alternatives used by the business sector to deal with short term liquidity shortage caused by the delay/non-refunded VAT, a considerable number of companies declared that they either apply for an excess credit from the banking sector (around 34%), or around 20% try to restrict the operative expenses and future investments (Table 26). It is important to stress out that only a few of them think to reduce the production activity (3.6%), or to cancel or restrict their expanding production plans (0.4%).

Table 26: How is liquidity shortage handled?

Alternatives to find liquidity	No.	Percent
Receiving excess banking credit	85	34,0
Restrict operative expenses & investments	49	19,6
Restrict production activity	9	3,6
Restrict employment level	23	9,2
Cancel or restrict expanding production plans	1	0,4



As far as the problems to get credit from banking sector concerns, it seems that this factor has not a clear impact on the decision of the commercial banks during the company evaluation (*see* Table 28). Thus, only 1.2% of the interviewed companies pose this factor as a problem, while the majority of them did not reply to this question (roughly 74%). Nonetheless, since such a huge number of companies didn't give answer to this question, it is possible that they didn't face such a problem during the loan application procedures.

Table 28: How difficult was Crediting because of VAT Reimbursement Shortage

Answer	No.	Percent	Cumulative Percent
No Answer	185	74,0	74,0
As difficult as usual	62	24,8	98,8
Not able to get a credit	3	1,2	100,0
Total	250	100,0	

ESTIMATED COST OF DELAYED/NON REFUNDED VAT

Estimated amount of Omitted Cash Flow from VAT Delay Reimbursement (2008) including Delay Day Interest¹²

From the Table 29, we notice an Average Annual Amount of estimated delayed/non refunded VAT on the whole sample of around 11.5 million ALL. Likewise, the Total Annual Amount of the estimated effect on cash flow of sample companies caused by the delayed/non refunded VAT is calculated to be at the level of around 1.34 billion ALL.¹³ Divided by the size of the companies the Average Annual Amount is around 3.9 million ALL for small companies and around 24.3 million for big companies. The maximum amount of the sample is about 92.6 million ALL.¹⁴

Table 29: The Estimation of Annually Omitted VAT Refund on cash flow (2008)

Company Size by Employment	Descriptive Statistics			
	No. of Companies	Maximum amount	Sum	Mean
Small companies	13	20 376 372.60	50 241 482.95	3 864 729.45
Medium companies	55	56 484 736.88	341 737 203.11	6 213 403.69
Big companies	39	92 582 280.77	950 258 874.33	24 365 612.16
Total	107		1 342 237 560.39	11 481 248.45 ¹⁵

¹² The estimation included only correct answering companies (*107 valid answers over 250*).

¹³ It means that the tax authorities owe as non reimbursed or delayed VAT this total amount to all companies of the sample with statistically correct answers (*107 companies over 250*). This amount includes the non reimbursed/delayed VAT together with the interests which should be paid by tax authorities according to the article 76, point 3, of the law "On Tax Procedures".

¹⁴ This means that from the valid answers of the companies interviewed, one of them had an estimated effect of the VAT amount non-reimbursed on its everyday cash flow of 92.6 million ALL.

¹⁵ Above average per company.

From here, we can have some other important considerations:

1. ***Effect on Exports:*** Considering that our sample mean \bar{x} is an unbiased estimator of population mean μ , we can have an approximation of the Annually Omitted Cash Flow Amount for the entire population. This means that, based on the results coming out of the correct answers of the sample companies, we tried to make a statistical approximation (inference) to give the results for the whole exporting companies in Albania on the same period of time with the questionnaire.

The entire population of exporting companies for the 2008 was about 1647 units.¹⁶ From this *inference* perspective we can come up with an estimated amount of Omitted Cash Flow for 2008 totaling to: 18.910 billion ALL¹⁷ (see Appendix I).

This amount represents about 16% of the exports for the 2008 (total exports were 112.54 billion¹⁸ ALL), which represents an opportunity cost for the economy.

2. ***Effect on Sales:*** The omitted cash flow (sample) for 2008 was 1.342 billion ALL, that represents 6.1% of Annual Sales (*sample Annual Sales 2008*: 22.031 billion ALL).

For most of the companies, (52 over 107 valid answers) the omitted cash flow from VAT delayed/non refunded does not exceed 5% of the volume of Annual Sales (2008). For the big companies this ratio is in the range of 10% to 15% of annual sales volume (13 companies). Finally only for 2 companies this effect is more than 20% of annual sales. It means that that the effect of the omitted cash flow from VAT delayed/non refunded has a more powerful impact on the big and small companies than on the medium ones.

¹⁶ Refers to the total number of the exporting companies in Albania for the year 2008.
Source: General Customs Directorate.

¹⁷ $\Pi=1647*11\ 481\ 248.45=18\ 909\ 616\ 197.15$

¹⁸ Albanian Center for International Trade, "Albania 2008 – Trade Report", Tirana

Table 30: Estimated effect of Omitted Cash-Flow on Annual Sales (2008) versus Size of the Company

Estimated Effect	Size of Company by Employment				
	Micro companies	Small companies	Medium companies	Big companies	Total
less than 5%	1	10	30	11	52
5% - 10% of annual sales	0	1	14	11	26
10% - 15% of annual sales	0	2	6	13	21
15% - 20% of annual sales	0	0	4	3	7
20% - 38% of annual sales	0	0	1	1	2
Total	1	13	55	39	108

- 3. *Effect on Employment:*** Based on sample we have an incidence of 2.960 million ALL for unit of employees (*sample Employment for 2008: 7443 employees*). This unit cost is a productivity index, which is calculated as a ratio between Total Sales and Total Employment. Thus, making a simple calculation we can predict that in case of a non delay of VAT reimbursement this Omitted Cash Flow could have had expand the employment with at least 453 units for the sample.
- 4. *Cost of Interest Loans:*** As came out of the report, the most used way by exporters to finance the shortcomings created by the non reimbursed/delayed VAT (*outstanding*), was the banking loans, which is deemed to be burdensome for the business. Therefore, we tried to calculate the impact that this transaction would have to the exporting sample companies by taking into account only the interest paid and not the principal. Thus, given the fact that the annual loan rate for 2008 was 12.28%,¹⁹ the cost of total interest which would have been paid, is calculated to be at the level of 157.344 million ALL.²⁰

¹⁹ Source, Bank of Albania “Statistical Report 2008”, Tirana.

²⁰ Formula of calculating total interest for excess credit received by business to finance the shortage created by delayed/non reimbursed VAT (*outstanding*) is: $12.28\%/365 \times \text{VAT_amount} \times \text{Delay_days}$

G) Sensitivity of Sales, Export and Employment to VAT Reimbursement

This analysis is done to see the relationship and the effect that creates VAT reimbursement on the sales, export and employment of the companies under the sample. The analysis is attained observing the following conditions:

- Time for VAT reimbursement granted to Tax Authorities is 30 Days, any day after it is called a “*delay*”;
- Companies can apply for VAT reimbursement at “*quarterly base*”;
- Sample average value and number of delayed days on VAT reimbursement are in the calculations.
- Pre-Condition for Statistical Significance: Sample of declared information to be representative of the whole target population.

The methodology used is *Between Effects Linear Regression Models* based on *quarterly panel data*. All variables are transformed in Natural Logarithms.

The dependent variables for each model are: **1) Quarterly Exports**, **2) Quarterly Sales**, and **3) Number of Employees**. The aim of the analysis is to understand the effect of the QOCF on the dependent variables.

We calculated a new built-in independent variable that is the estimated as Cash Flow amount of the Omitted VAT reimbursement (see Appendix II).

H) Results

After that we calculated three regression equations weighed by size of the company. We noticed ***a strong sensitivity of Quarterly Exports to Quarterly Omitted Cash Flow, a growth in QOCF can affect negatively the Quarterly Exports, specially referring to small enterprises (see Equation I at Appendix III). The same is true about the sensitivity of Quarterly Sales to QOCF, a growth in QOCF can affect negatively Quarterly Sales, but only on big and small companies this effect is statistically significant (see Equation II at Appendix III).***

On the other hand, *the effect of QOCF on the Quarterly Employment level is not clear*, at least referring to short run period (*see Equation III at Appendix III*).

Finally by replacing the regression Equation I result to the formula (1) we can conclude that every day of delay in the reimbursement can cause up to:

0.03% decrease in Quarterly Exports for small companies.

0.02% decrease in Quarterly Exports for medium and big companies.

For example a delay of 90 days can cause up to:

$90 * 0.0003 \approx 0.027$ or 2.7% decrease in quarterly exports for small companies and

$90 * 0.0002 \approx 0.018$ or 1.8% decrease in quarterly exports for medium and big companies and so on.

Almost the same results are true for the effects of the delayed days in VAT reimbursement on Quarterly Sales, but limited to small and big companies only.

Based on the Equation II, we can conclude that every day of delay in the reimbursement can cause up to:

0.03% decrease in Quarterly Sales for small companies.

0.02% decrease in Quarterly Sales for big companies. (for medium companies not statistically significant)

For example a delay of 90 days can cause up to:

$90 * 0.0003 \approx 0.027$ or 2.7% decrease in quarterly sales for small companies and

$90 * 0.0002 \approx 0.018$ or 1.8% decrease in quarterly sales for big companies.

This model is very simple to be used by each business. They should just put into the formula their number of delayed days of VAT non-reimbursed yet, to calculate the negative financial impact this process has created on their exports and sales.

SUMMARY OF FINDINGS

- VAT reimbursement is an important problem for the business community in Albania. Almost all the interviewed companies (99.8%) have VAT reimbursement to claim from the tax administration.
- VAT reimbursement claims by the exporters are at large values. 90% of the interviewed companies reported claims submitted for reimbursement over 800.000 ALL. There are implications which show that the incidence of VAT non-reimbursement is much higher at small and medium enterprises.
- Small regions have higher incidence of large values of VAT reimbursement claims submitted and not reimbursed.
- Stand alone and foreign company branches have a higher share of VAT reimbursement claims. No differences between being an Albanian or a foreign company regarding the delay on VAT reimbursements from tax authorities.
- Only 16% of the sample companies are reimbursed in time. More than 33% are faced with a delay of 1 to 3 months, while 34% experienced a delay of over 12 months. This phenomenon seems to be quite similar across all sectors.
- A sound majority of companies (72%) explain non-reimbursement or delays, mainly as a fault of the complicated and too long fiscal procedures.
- All companies (100%) stated that they never addressed the problem of VAT reimbursement delays to the appeal body or to the court, without giving any explanation.
- Media and publications made by tax authorities are considered by surveyed companies as very important sources of information regarding changes on the VAT refund procedures. On the other side,

information received by business from Chambers of Commerce and Industry is very low (only 5.6%).

- 73% of sample companies declared that there is not yet a tangible impact on the recent legal amendments regarding the principle of “*silence is consent*”, which aims the easing of the VAT reimbursement procedures.
- The effect of VAT delayed/non-refund phenomenon on company liquidity is considered as a significant negative factor.
- The liquidity problems caused by the delay or non-reimbursement of the VAT, force the businesses to use other alternatives such as excess banking credit, therefore the shortage, especially to the SME-s can have an important impact.
- Despite the law requirement, only around 14% of the interviewed businesses declared that, only in some cases, they did received interest on the delay days regarding VAT reimbursement claims. Delay refunds with no payment of interest from tax authorities create important negative financial effects for the companies.
- 34% of the sample companies deal with liquidity shortage caused by the delay/non-refunded VAT through excess banking credit, or restricting the operative expenses and future investments (around 20%). Only a few of them reduce the production (3.6%), or further more to restrict their expanding production plans (0.4%)
- A persistence of VAT non-refund can affect negatively the Quarterly Sales and Quarterly Exports of the companies. Every day of delay in the reimbursement can cause decrease in Quarterly Exports up to 0.03% for small companies, and 0.02% decrease in for medium and big companies. Almost the same results are true for Quarterly Sales, but limited to small and big companies only.
- Based on these results, the estimated amount of Omitted Cash Flow for all exporting companies in Albania during 2008 is calculated to be around 19 billion ALL. This amount represents about 16% of the country exports for the 2008, and it is an opportunity cost for the economy.

- The Omitted Cash Flow (sample) for 2008 was 1.342 billion ALL that represents 6.1% of Annual Sales of the interviewed companies.
- VAT non-refunded persistence shows no clear effect on the level of Employment, at least on the short-run *scenario*. Nonetheless, seen as an opportunity cost, the Omitted Cash Flow could have had expand the employment with at least 453 units for the sample.
- Delays on improving and easing up VAT reimbursement procedures are burdensome directly to the exporting companies through a decrease in the level of sales and exports. Additionally, an indirect negative impact would come to the Albanian economy, mainly due to the decreasing exporting activity and weak growth of the companies having problems with VAT reimbursement. This can be translated into lower level of tax revenues going to the State Budget and might have a negative impact on the level of employment.

RECOMMENDATIONS

For Public Administration

- Concrete steps should be undertaken by tax authorities to improve VAT reimbursement procedures, especially towards clarifying the steps to be followed by the business or eliminate some unnecessary bureaucratic procedures. Further efforts are needed for improving performance measurements and technicalities such as number of VAT reimbursement days, audit results, easing and speeding up the VAT refund claiming procedures (enabling on-line assistance and application, or applying successful history records for exporters), and reducing related administrative costs for both taxpayers and tax administration.
- The implementation and enforcement of tax legislation should be the same in every district of the country in order to reduce incidence and imbalances in VAT reimbursement claims.
- The tax administration should adopt proper IT solutions and means to allow automatic compensation of VAT credit balance against other taxes, in conformity with Article 75/1 of the above Tax Procedures law.
- These IT solutions should include a macro perspective for all business claims and obligations at both tax and customs authorities. Therefore, a closed cooperation towards such project is recommended to be done

²¹ During the roundtable with GTD and Ministry of Finance representatives, it was argued that the VAT delay (non reimbursement) of certain big companies is done because they result to be debtors to the General Directorate of Customs. In this respect, it was argued that the procedures of verifications and of clearing these debts take some time because they are paper based, and therefore they cause delays.

between General Directorate of Taxation (GDT) and General Directorate of Customs (GDC).²¹

- Because of the frequent amendments and changes on the legal and regulatory framework, tax administration should put more efforts towards the increase of the capacity on human resources (tax officers), so they can do their job in full compliance with the legislation in power. Additionally, frequent change on the top level managers of the tax authorities (central and regional ones), does not help this process.
- “Reimbursement plans” and preparation of periodic reports should be developed for the Regional Tax Directorate and for the General Tax Directorate.
- The tax revenue targets (revenue plans) for Regional Tax Directorates and for General Directorate of Taxes should be developed separately from the “Reimbursement plans” and quality assessments procedures should be implemented accordingly.
- The establishment of the new function of the Taxpayers’ Advocate in the General Directorate of Taxes, under the assistance of MCATA II USAID Project,²² is expected to enable further improvements in assisting and building better facilities regarding VAT reimbursement. However, this new Authority should have been established as an independent body and not under the direct influence of the General Directorate of Taxes. In this way it could better defend the interests of taxpayers. Therefore, it is strongly recommended that tax authorities should think seriously to spin-off the Taxpayers’ Authority as an independent body in a short period of time (i.e a couple of years).
- Till then, tax authorities should be careful in specifying the fields of activity for Taxpayers’ Advocate Directory and the Directory of Interior

²² New amendments on the Law “On Tax Procedures” including the establishment of Taxpayers’ Advocate and the Tax Consultative Council”, entered in force on May 2010.

Investigation (Anti-Corruption). This would enable a smoother functioning of these two new departments, at least as long as they are both under the umbrella of GTD.

- The establishment of “The Tax Consultative Council”, as a permanent joint forum with representatives from Ministry of Finance, General Directorate of Taxes and business community, under the assistance of MCATA II USAID Project, might also help in raising and addressing VAT reimbursement issues. The coordination of these new bodies (Taxpayers’ Advocate and Tax Consultative Council) needs to be addressed effectively.
- Furthermore, the establishment of the Administrative Court, under the assistance of MCATA II USAID Project, it is considered a milestone which will bring a better atmosphere within the business community. It will encourage them to look for their rights in a legal and proper way, because it is believed to cut dependence of business community on bureaucratic procedures and decisions coming from the tax authorities regarding appeals made on fiscal issues.
- Given the fact that official web sites and publications of tax authorities remain preferred to business community to receive information on tax issues and to electronically download or file their tax returns, see their tax accounts (the ledger), etc., then tax authorities might seriously consider the possibility for online filing the VAT reimbursement claims, and getting the reimbursement or compensation against other taxes and fiscal obligations.
- Though at a satisfactory level, there is still room to improve the level of information regarding new regulations and legislation on VAT reimbursement and other fiscal procedures. In this respect, tax authorities should further improve and update the quality of information issued via official web sites, as well as should work closely with media to distribute the information and changes in a proper way. A key next step following the information is to support the business community to understand and correctly follow all procedures.

For Businesses

- A better organization of businesses (*through chambers of commerce or sector based organizations*), is highly recommended, because it would give more power to the voice of the business regarding activity problems, including but not restricted with VAT reimbursement. On the other side, it is recommended that business representatives should offer to their members assistance and legal consulting on disputes with tax authorities regarding VAT reimbursement.
- Business community should be aware of the opportunity cost caused by the lack of being formally correct with tax authorities. If this happens, it would save the business community from the “hesitations” to look for their possible rights and legal claims from tax authorities.

For Other Stakeholders

- The interest of the different stakeholders such as donors, NGOs, etc. should be focused towards IT solutions which might easy and speed up the procedure of claiming VAT reimbursement in cooperation both with tax authorities and with business. In this context, ACIT and Rritje Albania might help to develop a pilot project, the “Online Response Tool”, starting with a Response and assistance tool, which is a kind of online advocacy and consultancy portal. Rritje Albania is working with the appropriate partners to apply this tool.
- Donors might also support the further improvement of the legal and regulatory framework regarding VAT reimbursement procedures, making them less burdensome for the business community.
- Additionally, these stakeholders might focus their activity towards such projects which try to make the business aware concerning the costs associating the delayed / non-reimbursed VAT, as well as regarding the importance of and benefits coming from addressing these problems into legal instances (appealing bodies and courts) foreseen by law.

In conclusion, the ACIT team recommends that improving and easing up VAT reimbursement procedures will have a direct and positive impact on the business community in terms of improving liquidity, increasing exports and sales. Additionally, the Albanian economy would have a positive impact in terms of increased level of employment, increase of exports, and expansion of business activity as well as increase on tax revenues.

APPENDIX I:

CALCULATING FORMULA FOR OMITTED VAT ON CASH FLOW²²

The Annual Estimated Amount of Omitted Cash Flow (2008):

$$\sum_{i=1}^4 V_i (1 + r * p * \frac{d}{365})$$

V- principal amount for each quarter

r – the weighted average daily interbank interest rate in 2008

p- level of delay day interest applied by law (actually 120%)

d- delayed days (*sum of days after the legally 30 days of VAT reimbursement*)

²² According to the article 76, point 3, of the law “On Tax Procedures”, it is calculated as 120% of the interbank interest rate on quarterly bases.

APPENDIX II:

CALCULATING FORMULA QUARTELY OMITED CASH FLOW IN CASE OF DELAYS

Quarterly Omitted Cash Flow Amount

$$V(1 + r * p * \frac{d}{365}) \quad (1)$$

The estimation of cash flow amount from omitted VAT reimbursement:

V- principal amount for each quarter

r – the weighted average daily interbank interest rate in 2008

p- level of delay day interest applied by law (actually 120%)

d- delayed days (*sum of days after the legally 30 days of VAT reimbursement*)

APPENDIX III:

STATISTICS ON REGRESSION MODEL

EQUATION I			
$\text{Quarterly Exports}_t =$			
			Quartcashflow_t + u_t
Small companies	.9384715	-1.058208	Overall R²=0.5162
s.e	5.364868	.3532013	
P> t	0.866	0.020	
Medium Companies	6.26223	-.7022183	Overall R²=0.5507
s.e	1.34857	.0946492	
P> t	0.000	0.000	
Big companies	6.262232	-.7164446	Overall R²=0.6620
s.e	1.539893	.0946492	
P> t	0.000	0.000	

EQUATION II			
	$\frac{\text{Quarterly sales}_t}{\text{Quarterly sales}_t}$	=	
Small companies	.9384715	-1.058208	Quartcashflow_t + u_t
s.e	5.364868	.3532013	Overall R ² =0.5162
P> t	0.866	0.020	
Medium Companies	5.878487	-.7232281	Quartcashflow_t + u_t
s.e	1.705529	.1122323	Overall R ² =0.4696
P> t	0.001	0.000	
Big companies	5.781817	-.7345174	Quartcashflow_t + u_t
s.e	1.66324	.1022307	Overall R ² =0.6372
P> t	0.001	0.000	

EQUATION III			
$\underline{\text{Employment}}_t =$			
Small companies	1.513578	-0.0767402	Quartcashflow_t + u_t
s.e	1.201617	.0791096	Overall R ² = 0.1172
P> t	0.248	0.364	
Medium Companies	2.983227	-0.0573814	Quartcashflow_t + u_t
s.e	.9734327	.0640567	Overall R ² = 0.0107
P> t	0.004	0.376	
Big companies	4.625962	-.0070695	Quartcashflow_t + u_t
s.e	.6412172	.0394126	Overall R ² = 0.0115
P> t	0.000	0.859	