

## Boga &amp; Associates- Albania

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Investments in real estate in Albania may be subject to several taxes depending mainly on the type of investment (acquisition of real estate or construction) and real estate (building or land).

Foreigners may not purchase land in Albania, except when the value of the construction over such land exceeds three times the value of the land. Nevertheless, to overcome the above restriction, foreigners may establish an Albanian company and purchase land through it. This restriction does not apply to acquisition of buildings and apartments.

**Tax on new constructions**

When investing on new constructions, the investors should know that once the construction is built, a tax is levied. As a general rule, the tax on impact of new infrastructure differs from municipality to municipality. Such tax varies from 2% to 4% in Tirana and 1% to 3% in other municipalities.

Exceptionally and with the target of inciting investments in infrastructure, the government has reduced the said tax for new infrastructure projects (e.g. construction of national roads, tunnels, ports, airports, dams, infrastructure in the energy field), which is now 0.1% of the investment value but not less than the cost of the rehabilitation of the damaged infrastructure.

**Tax on real estate**

Owners of buildings and agricultural land are subject to the tax on real estate.

The tax on buildings is paid for each square meter of the building starting from acquisition of ownership over the building. The value of the tax depends on the purpose of use i.e. whether the building is used as a residence, or for commercial or production purposes or other uses.

The buildings owned by the state, local governmental units and religious institutions are exempted from this tax.

The tax on buildings varies depending on the municipality where the building is located. Anyhow, for buildings located within territories approved as tourist villages, the tax consists of a fixed amount applicable to all such buildings, irrespective of the municipality.

The tax on agricultural land is paid for each hectare of agricultural land. It varies depending on the land's category and the municipality where such land is located.

Tax on transfer of ownership title over the real estate

Transfer of ownership over the real estate is also subject to taxation. When the real estate is transferred by a legal entity, the tax on transfer of ownership title depends on the type of real estate to be transferred (if destined for business or residence use) and the municipality where it is located. For example, the tax on transfer of buildings located in Tirana and used for business purposes is 2,000 Albanian Leke per square meter; while for those buildings used as residences, the tax is 1,000 Albanian Leke per square meter. The tax on transfer of ownership over real estate other than buildings is 2% of the sale price.

The tax levied on individuals transferring their title over real estate is 10% of the difference between the sale/transfer price and the initial purchase price of the real estate.

## Corpus Legal Practitioners - Zambia

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Zambia's tax regime is governed by a number of statutes including the Income Tax Act, the Value Added Tax (VAT) Act, the Property Transfer Tax (PTT) Act and the Customs and Excise Act. Corporate tax is payable under the Income Tax Act.

An important feature of Zambia's corporate tax regime is that the taxes paid on the company profits are completely separate from the taxes imposed on dividends. This means that profits of the company are taxed separately from dividends distributed to the shareholders.

Corporation tax rates vary according to the nature of the industry in which the company operates. For example, in the mining sector, corporation tax is charged at 30%, while in the farming sector, the taxes are levied at 15%. The majority of the other industries pay corporation tax at the rate of 35%.

There are also variances on the taxes payable on dividends. Generally the tax rates on dividends for individuals is at 15% in all the industries except for the dividends from companies listed on the Lusaka Stock exchange which do not attract any tax. In the mining sector, no tax is levied on dividends received by corporate entities.

Corpus Legal Practitioners, formerly known as Corpus Globe was founded in 1995 in response to an increasing demand for specialised quality legal services as Zambia moved from a state regulated to an increasingly private sector driven economy. It was one of the first law firms to offer comprehensive commercial and corporate legal services to clients in Zambia as well as to international clients.

The firm focuses on four main areas reflected through its departments, namely: Corporate Mergers and Acquisitions, Banking and Finance, Dispute Resolution and Real Estate and Construction. In addition to the four main areas, five practice groups have been formed to advise on other specialised areas of commercial law and practice, as needs arise. The practice groups are Energy Mining and Infrastructure, Telecommunications, Employment Law, Competition Law and Tax practice groups.

The firm's corporate tax services include advisory services and dispute resolution. The Tax Practice Group provides a high class and premium tax advisory service to all its clients. The group's legal representation for tax dispute resolution includes providing representation when challenging the tax assessments with the tax authorities and also the tax tribunal and the courts.

Most of the firm's international clients operating in Zambia tend to source goods and services abroad. Under national law, unless a foreign supplier of goods and services has appointed a Zambian tax agent for the purposes of accounting for value added tax, the importer would be obliged to pay reverse value added tax as a form of a penalty. Reverse value added tax cannot be claimed as input tax. Corpus Legal Practitioners have therefore in this respect, created a tax agency as a separate entity from the firm to perform such agency services of the foreign suppliers of the firm's clients. This affords them an opportunity to claim value added tax as input tax.

## Ernst &amp; Young – China

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Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, its 144,000 people are united by a shared and an unwavering commitment to quality. The firm makes a difference by helping its people, clients and wider communities achieve their potential.

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This integrated business model allows Ernst & Young to meet the global demands of its clients, as well as the legal and regulatory requirements that impact its organisation. Henry H. Chan explained that the firm has worked very hard in the past two years to strengthen its brand with a view to projecting Ernst & Young as a global organisation for assurance, tax, transaction and advisory services.

He said: "Working under an open corporate culture and living by our shared values, our tax professionals are working seamlessly with our diverse service lines, striving to address our clients' domestic and international business needs."

**The Chinese Market** - In China, while multinational corporations, foreign private equity funds and international financial institutions remain as the firm's core client groups for tax, Mr Chan has been witnessing significant growth in the demand for the firm's tax services from Chinese state owned enterprises and privately owned enterprises in the domestic market. "Given their strong desires for best practices and investing abroad, we have been seeing their determination to reform their corporate structures and systems. We have differentially invested and built a dedicated tax team to serve this important segment, believing that it is a key driver of our China business in the future," he said.

The tax profession in China was not immune from the global financial crisis. Mr Chan pointed out that he saw a sharp fall in both inbound and outbound investments in late 2008 and 2009. "However, we coped with the adversity positively," he said. "We kept our focus on investing in the China market. In fact, we became even more proactive in approaching our clients in assisting them to explore tax

related opportunities to weather this global financial storm. In addition, given our ongoing communications with China's State Administration of Taxation, so that our clients can be prepared for the potential changes in the tax regulatory environment. The work that we have done during this difficult time has helped to foster an even closer relationship with our clients."

However, Mr Chan thinks that the global economy has been on a recovery track since late 2009. Mr Chan said: "Based on the meetings and discussions we have had with our clients, we are seeing a rebound in investors' confidence in the China market. This is evidenced by various exciting wins by our tax compliance, advisory, transfer pricing and transaction service lines."

**Moving Forward**

Today's economic environment has changed dramatically. Mr Chan believes that the firm's clients face unprecedented challenges – and they need help to respond. "Our goal in this environment must be to lead," he said.

Furthermore, the firm's Global Priorities help it to focus on that goal and help it balance short-term and long-term needs. "To achieve our goal, in the short term we must stay close to our clients, continue to support and develop our people, remain focused on quality and manage our costs. And over the long term we need to adapt our business to the changes in demographics and capital flows that are already having a profound impact on the world around us," Mr Chan said.

*"Our Global Priorities are about market leadership and winning – helping us to better manage and operate our business today, and be a transformational leader in the future." – Henry H. Chan*