

### Albania | Issue 01/13

To keep you up-to-date with the latest economic and financial developments, this bulletin prepared by our Tax Team provides information that may affect the operation of your business in Albania.

#### **New Fiscal Package**

On 20<sup>th</sup> December 2012 the Albanian Parliament passed a fiscal package amending VAT, Income Tax, Tax Procedures, Excise and Customs Tariffs laws. The amending laws are published in the Official Gazette no. 177 and shall enter into force on 24<sup>th</sup> January 2013.

Below you will find brief information on such amendments.

#### **New VAT exemptions**

Law 125/2012 introduces the following VAT exempt supplies:

- (i) the import and the local supply of goods made of iron or steel classified in chapters 7213 and 7214 and of cement classified under codes 2523 29 00; 2523 30 00 and 2523 90 00 of the Combined Nomenclature of Goods used as raw materials for the construction of hydropower plants;
- (ii) import of machineries and equipments used for the implementation of investment contracts with a value equal or higher than 50 million Leke;
- (iii) import of machineries and equipments used in the inward processing industry and agribusiness regardless of the investment value;
- (iv) import of machineries by persons subject to local tax on small businesses, for the purpose of performing their production activity.

All other machinery and equipments not falling into the VAT exemption and imported by taxable persons will continue to benefit from the existing VAT deferral scheme for a period up to 12 months from the moment of importation. The VAT may be deferred for a term beyond the 12 months period upon decision of the Minister of Finance when certain requirements are met.

The list of machinery and equipments, the exemption procedure and the respective criteria for benefiting from the VAT exemption, shall be determined by forthcoming decisions of the Council of Ministers.

#### **Amendments to Income Tax Law**

##### *Personal Income Tax*

Under Law 122/2012, the following become exempted from personal income tax:

- damages relief and court expenses reimbursement granted in favor of an individual upon a final court decision;
- income paid by state institutions for achievements in science, sport and culture.

Furthermore, Law 122/2012 changes the declaration and calculation of gross income for individuals having income from self-employment and who have a turnover under 2 (two) million Leke.

With the new change, 10% of the value of the annual turnover resulting from their business activity is deemed as gross income (taxable after deductions listed in article 13/3 of Income Tax Law), for the purpose of the annual tax declaration.

## *Deductible expenses*

Scholarships given to students and pupils, up to an amount to be specified by decision of the Council of Ministers and provided that these institutions submit to the Ministry of Education and Science by the beginning of the academic year the envisaged number of scholarships and their respective amounts, are recognized as tax deductible expense.

## *Losses carried forward*

Losses of a taxpayer may no longer be carried forward if the direct or indirect ownership of the share capital or voting rights of the taxpayer changes with more than 50% (such change could be viewed as an advantage to M&A transactions considering the lower ceiling of 25% provided for previously).

## **Amendments to Tax Procedure law**

### *Tax Representative*

Under the new amendments introduced by Law 124/2012, the VAT tax representative is registered with the Regional Tax Directorate (instead of being registered with the National Registration Centre).

### *De-registration*

It is now required that the tax authorities be informed by the National Registration Center or the court on a de-registration request filed with the said authorities in case of a dissolution of a company without liquidation (such as mergers or scissions).

### *Penalties*

Law 122/2012 increases the penalties applicable for non declaration of newly hired employees by taxpayers registered for VAT and profit tax at a fine of 500,000 Leke (instead of 100,000 Leke). The other taxpayers failing to declare the new employees are subject to a fine of 250,000 Leke (instead of 50,000 Leke).

### **Coffee subject to new excise tax rate and customs tariffs**

New Law 121/2012 amending Excise Law (no. 61/2012) changes the excise tax applicable to roasted coffee. The excise tax is reduced from 140 Leke/kg to 60 Leke/kg. In addition, unroasted coffee is no longer subject to excise.

Customs tariffs for unroasted coffee (not decaffeinated and decaffeinated) have decreased from 10% to 0% (Law 123/2012).

# BOGA & ASSOCIATES

If you wish to know more on issues highlighted in this edition, you may approach your usual contact at our firm or the following:

[info@bogalaw.com](mailto:info@bogalaw.com)

## **Tirana Office**

Ibrahim Rugova Str.  
P.O. Box 8264  
Tirana, Albania  
Tel +355 4 225 1050/225 1022  
Fax +355 4 225 1055

## **Pristina Office**

Nene Tereza str.  
Entry 30, No. 5  
Pristina, Kosovo  
Tel +381 38 223 152  
Fax +381 38 223 153

The Tax Alert is an electronic publication edited and provided by Boga & Associates to its clients and business partners. The information contained in this Tax Alert is of a general nature and is not intended to address the circumstances of any particular individual or entity. The Tax Alert is not intended to be and should not be construed as providing legal advice. Therefore, no one should act on such information without appropriate professional advice after a thorough examination of the particular situation. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. You can also consult this Tax Alert on the section “Library” of our website.

© 2013 Boga & Associates. All rights reserved.

This publication is copyrighted and is protected to the full extent of the law. Nevertheless, you are free to copy and redistribute it on the condition that full attribution is made to Boga & Associates. If you have not received this publication directly from us, you may obtain a copy of any past or future related publications from our marketing department ([marketing@bogalaw.com](mailto:marketing@bogalaw.com)) or consult them in our website ([www.bogalaw.com](http://www.bogalaw.com)). To unsubscribe from future publications of “Tax Alert”, please send “Unsubscribe” by replying to our email accompanying this edition.

## Boga & Associates

Boga & Associates, established in 1994, has emerged as one of the premier law firms in Albania, earning a reputation for providing the highest quality of legal, tax and accounting services to its clients. Boga & Associates also operates in Kosovo (Pristina) offering full range of services. Until 1<sup>st</sup> of May 2007, the firm was a member firm of KPMG International and the Senior Partner/Managing Partner, Mr. Genc Boga was also Managing Partner of KPMG Albania.

The firm maintains its commitment to quality through the skills and determination of a team of attorneys and other professionals with a wide range of skills and experience. The extensive foreign language capabilities of the team help to ensure that its international clientele have easy access to the expanding Albanian and Kosovo business environment.

With its diverse capabilities and experience, the firm acts for leading businesses in most major industries, including banks and financial institutions, as well as companies working in insurance, construction, energy and utilities, entertainment and media, mining, oil and gas, professional services, real estate, technology, telecommunications, tourism, transport, infrastructure and consumer goods sectors.