

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 20th 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 24th 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

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Boga & Associates

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