

## TaxAlert 2016

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.

### 2016 Fiscal Package

Several amendments of the tax legislation ("2016 Fiscal Package"), approved by the Parliament by mid of December 2015, have been now published in the Official Gazette.

Below we present a summary of the most important amendments introduced by the 2016 Fiscal Package.

#### *Amendments to Law no. 9975, dated 28.07.2008 "On National Taxes"*

The new law no. 141/2015 "On Some Amendments and Additions to Law no. 9975, dated 28.07.2008 "On National Taxes" introduces a new national tax and also changes the rates and method of calculation for some existing taxes.

#### *Tax on Luxury Vehicles*

The new tax on luxury vehicles shall apply on the initial registration of such vehicles and on annual basis. Luxury vehicles are passenger vehicles having no more than 4+1 seats and meeting one of the following conditions:

- (i) engine displacement equals or exceeds 3,000 cm<sup>3</sup>; or
- (ii) value/price equals or exceeds 7 million Leke.

At the moment of initial registration of a luxury vehicle the tax is 70,000 Leke and in any subsequent year it amounts to 21,000 Leke.

#### *New Royalty Tax Rates*

The new law has changed the method for application of the royalty tax for certain minerals. The tax payable for non-metallic minerals (Group III and IV) is now calculated as a fixed amount rather than as a percentage over the sale value of the mineral.

For the other minerals the tax will continue to be calculated based on the value of the mineral sold.

#### *Insurance Premium Tax Increased to 10%*

The tax rate on the insurance premium is increased from 3% of the premium to 10%. Other conditions on its application remain unchanged.

#### *Amendments to Law no. 9632, dated 30.10.2006 "On Local Taxes"*

The new law no. 142/2015 provides for the following amendments to the law no. 9632/2006 "On Local Taxes":

#### *Tax on Construction Land*

The law includes the construction land in the scope of property tax. Until now the tax was levied only on buildings and agriculture land. Starting from 01.01.2016, land within the city's border, which is classified as construction land, becomes subject to property tax at the level of 0.14 Leke/m<sup>2</sup> up to 0.56 Leke/m<sup>2</sup> when used by individuals, and 12 Leke/m<sup>2</sup> up to 20 Leke/m<sup>2</sup> when used by businesses, depending on municipality where the land is located.

## *Change of Tax Rates for Small Businesses*

Starting from the year 2016, a small business having a turnover less than 5 million Leke is exempted from the tax.

Previously a fixed amount of 25,000 Leke was payable from businesses who had an annual turnover up to 2 million Leke, and a 7.5 % tax on profit was payable for those having a turnover between 2 million Leke and 5 million Leke.

In addition, the tax rate for businesses having the turnover between 5 million Leke and 8 million Leke is reduced to 5% (previously 7.5%).

## *The User to be Liable for Payment of the Building Tax*

The new law extends the liability to pay the property tax on building to the user of the building in addition to the owner.

Liability for the payment of such tax is as well extended for properties not duly registered with the immovable property register.

## *Changes in the Calculation of Tax on Hotels*

The new law changes the way the tax on hotels is levied. Instead of a certain percentage on the price of accommodation, now the tax is set to a fixed amount based on the hotel classification and the municipality where the hotel is located.

For a 4 to 5 stars hotel in Tirana, the tax amounts to 350 Leke/per night.

## *Changes in the Tax on Impact in Infrastructure from New Constructions*

The tax for the impact on infrastructure from new constructions, consisting of residence or business units, is increased at the rate of 4% to 8% of the sale price of such units.

The tax on the other constructions (such as touristic, industrial and public constructions) will continue to be calculated on the value of the investment at the rate of 1% to 3% (except for Tirana where the tax is 2% to 4%).

The local municipality determines the actual rate.

For infrastructure projects such as construction of national roads, ports, airports, tunnels, dams, construction of infrastructure in energy, the tax remains 0.1 % of the investment value.

The investment includes the value of equipment and machineries for such project. The tax paid should be not less than the cost of rehabilitation of the damaged infrastructure.

## *Changes in Billboard Tax*

Up to now, the tax on billboards used for business identification purposes was set at 120 Leke, despite the surface of the billboard.

The new law sets a zero tax for a billboard used for identification purposes which is less than 2 m<sup>2</sup> and increases the tax for boards exceeding the said surface. The tax varies from 13,500 Leke/m<sup>2</sup> to 45,000 Leke/m<sup>2</sup> depending on the municipality where the business is registered.

Additionally, the new law differentiates between the non-electronic and electronic billboard, imposing on the latter a double tax amount per meter square.

Furthermore, the new law removed the upper ceiling of the surface on which the tax is applied (previously, for billboards exceeding 18m<sup>2</sup>, a fixed tax of 810,000 Leke was applied for businesses registered in Tirana).

## *Amendments to Law no. 61/2012, dated 30.06.2006 "On Excise Tax"*

The Parliament has decided to stop the increase of the excise tax on cigarettes and tobacco. The new amendment confirms the same level of the excise tax for the year 2016 as it was in 2015 (by abolishing the anticipated increase starting from 01.01.2016).

Another amendment of the law regards the introduction of an exemption threshold for the tobacco produced in the country to be used for personal consumption. Tobacco produced and manufactured by individuals for their own consumption should not exceed 25 kg/year.

A novelty of the new law is the possibility granted to the importers to put the excise strip stamps within the country, provided that the process will be carried out in a fiscal warehouse.

## *Changes on Social and Health Contributions*

Changes and amendments on collection of social and health contributions (introduced by law no. 143/2015, law no. 144/2015 and law 145/2015) consist of:

- exemption of self-employed retired persons from obligation for payment of social and health contributions; unpaid familiars might get an exemption from such obligation, upon certain conditions to be determined by a forthcoming decision of the Council of Ministers;
- for certain categories of self employed professionals, the basis of calculation will be determined by the Council of Ministers based on the profession, number of employees, location of business, and level of income of similar employees.

# 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.

© 2016 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 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.