

Issue 02/16

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.

Amendments to law no. 10091, dated 05.03.2009, "On the Statutory Audit, and Organization of the Statutory Auditors and Certified Accountants"

On 28 April 2016, the Parliament passed the law no. 47/2016 "On Some Amendments and Additions to Law no. 10091, dated 05.03.2009 'On the Statutory Audit and Organization of the Authorized Accounting Experts and Approved Accountants'" (hereinafter the "Amendment"), effective from 1st of June 2016.

Changes to the conditions of mandatory statutory audit

The thresholds that trigger the obligation for companies to have a statutory audit of their financial statements are raised in order to align the need for auditing with the companies' growth.

Starting from the accounting period ending on 31.12.2016, are subject to the mandatory audit the companies that meet two of the following conditions:

- (i) total of assets being 50 million Leke (previously 40 million Leke),
- (ii) turnover being or exceeding 100 million Leke (previously 30 million Leke), and
- (iii) average annual number of employees being 30 (remains unchanged).

The conditions should be met for two years in row in order for the companies to become subject to the statutory audit.

Introducing "public interest entities"

The Amendment introduces the concept of 'public interest entities'.

Previously, the concept was used only for banks, insurance companies and listed companies. The Amendment extends it to a greater range of companies, which are considered as such based on the nature of their activity, their magnitude or number of employees as determined by the Council of Ministers.

Statutory auditors of public interest entities are subject to quality control only from the Public Supervisory Board and additional transparency disclosures are required.

Voluntary audits are also subject of the law

Before the Amendment, a "statutory audit" meant to apply only to mandatory audits. Now, voluntary audits, whenever companies choose to have them (although the legal conditions are not met) are also covered by the law 10091/2009.

Penalties

Failure of statutory auditors to comply with the requirements of law 10091/2009 is subject to fines ranging from 50,000 Leke to 500,000 Leke. Previously, the penalties were limited to ten times the membership fee.

Quality controls

The Amendment shifts the quality control responsibility from the professional organization to the Public Supervisory Board. The said Board may delegate quality controls (except for 'public interest entities') to the professional organizations, which are obliged to report to the board on annually basis. Such transfer of responsibilities reflects the movement from a self-regulated profession to external (governmental) regulation.

Changes to Instruction of Minister of Finance no .6, dated 30.01.2015 "On VAT"

On 17 May 2016, the Minister of Finance changed Instruction no. 6, dated 30.01.2015 "On VAT" purporting to clarify the conditions for VAT exemption of financial services.

Before this amendment, the Instruction was not clear whether the exemption from VAT applied to all financial services or was limited only to financial services rendered by duly licensed financial institutions. This left room for interpretation that the financial transactions between commercial companies (other than banks and financial institutions) were VAT-able in Albania.

With the changes introduced by the new Instruction no. 13, dated 17.05.2016, the Minister clarified that it is the nature of the services that determines the eligibility for the VAT exemption. Hence, financial services are VAT exempt irrespective of the licensing status of the service provider.

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