

Issue 04/14

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.

On the 27th of November 2014 the Albanian Parliament approved the laws of 2015 Fiscal Package. The new laws will be submitted to the President for their proclamation and thereafter will be published in the Official Gazette.

The 2015 Fiscal Package will enter into force on the 1st of January 2015.

Below we are highlighting some of the amendments:

INCOME TAX

The new law no. 156/2014 "On Some Changes to Law no. 8438/1998 "On Income Tax" introduces the following amendments:

- *New categories of exempted income include:*
 - contributions made by each member of a private pension fund, up to the limit set forth in the law 10197/2009 "On Voluntary Pension";
 - contributions made by the employer and any other contributor, on behalf of a member of a pension fund;
 - return of investment, including capital income deriving from investments performed with the pension fund assets.

In addition, contributions made by the employer on behalf of its employees in an Occupational Pension Plan are deemed deductible expenses for profit tax purposes up to the limit set forth in the Voluntary Pension Law.

- *Personal tax rate increased*

The tax rate on personal income of individuals (other than salary related) and income generated from non-tax registered entities is increased from 10% to 15%.

This includes dividends and profit sharing, interest, capital gain from sale of immovable property, payments for artistic performances, royalties, leases, management and participation in managing bodies, as well as technical, managing, financial and insurance services, construction, installation, or site supervision services.

- *Deductible expenses for individuals removed*

The following payments are no longer recognized as tax deductible expense to individuals:

- contributions made by an individual in a private pension fund and those for voluntary life and health insurance plans;
- tax on property paid during the year.

- *Government to introduce sublegal acts on losses and waste*

Within 4 months from entry into force of the new law (i.e. by the 30th of April 2015), the Council of Ministers shall adopt new decisions for determining levels of loss and waste during the production, warehousing and transport in all sectors where no such legal acts exists. Any loss/waste within the said limits shall be recognized as a deductible expense.

- *New requirements for the expense of remaining book value of fixed assets introduced*

Buildings, structures and machineries with a net book value at the beginning of the period lower than 3% of their historical cost may be recognized as a deductible expense for the said period.

Similarly, assets, other than those mentioned above, may be recognized as a deductible expense for the said period if the net book value at the beginning of the period is lower than 10% of the historical cost.

NATIONAL TAXES

Law no. 157/2014 introduces, *inter alia*, the following amendments to the law no. 9975, dated 28.07.2008 "On National Taxes":

- The circulation tax on gasoline and gasoil is increased from Leke 17/liter to Leke 27/liter for gasoline and gasoil.
- A new tax is imposed on insurance premiums, at the rate of 3% of the premium amount. The said tax is not applicable on life insurance premiums, travel health and *green card* insurance products.

CUSTOMS TARIFFS

Upon law no. 159/2014 "On Some Changes to Law no. 9981, dated 08.09.2008 "On Approval of Customs Tariffs Levels", the customs tariffs for certain goods have been reduced or abolished.

TAX PROCEDURES

Law no. 164/2014, which was approved by the Parliament on 04.12.2014, introduces some changes to the law no. 9920, dated 19.05.2008 "On Tax Procedures in the Republic of Albania".

The most important amendments include:

- The Tax Appeal Directorate shall issue its decision within 60 days (instead of 90 days) from the submission of a tax appeal.
- The bank guarantee issued to secure payment of the tax obligations in course of an appeal process should have a minimum validity period of 6 months, but in any case not less than the time period until the decision shall become final/enforceable.
- Introduction of a statute of limitation related to the right of the taxpayer to request the reimbursement of the taxes paid in excess. The taxpayer's right to request a tax reimbursement expires 5 years after the respective tax return is filed.
- The penalty for late payment of tax obligations is fixed at the rate of 0.06 percent of the unpaid tax obligation for each day of delay applicable for a limited period of 365 days (instead of 5% every month or part of a month but not more than 25% of the tax obligation).
- The penalty for incorrect tax declaration is fixed at the rate of 0.06 percent of the undeclared tax obligation for each day of delay until payment is performed, not exceeding however a period of 365 days (instead of 5% every month or part of the month but not more than 25% of the tax obligation). The same penalty shall also be applicable in case of reduction of a tax credit.
- Tax related court decisions are to be published in the General Tax Directorate website.
- A taxpayer that is in the passive status/register may not perform any commercial activity; otherwise a penalty applies.

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

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.

© 2014 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) or consult them in our website (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.