

Issue 04/17

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.

2018 Fiscal Package

On 27 October 2017, the Council of Ministers approved the fiscal package for year 2018 constituted by six draft laws.

Below you will find a general overview of the main provisions and novelties introduced by this set of draft laws, the majority of which are expected to enter into force on 1 January 2018.

VAT

Incentive in the tourism sector

The draft law proposes the application of a reduced rate of VAT in the amount of 6% for all services offered within the accommodation structures "Five-Star Hotel, Special Status", as defined in the legislation regulating tourism.

By proposing such amendment, the government seeks to foster the development of tourism sector as well as to support the entrance of international well-known hotel brands in the Albanian market.

Other accommodation structures will continue to apply the reduced VAT rate of 6% only for accommodation services. The conditions, criteria and procedures for the implementation of this proposal are to be determined by a decision of the Council of Ministers.

Lessening compliance costs

The draft law authorizes the Council of Ministers to set different tax periods for a specific category of taxable persons, which can be longer than one calendar month but not exceeding one calendar year.

After entry into force of this provision, it is expected that small businesses shall be required to file VAT returns on quarterly basis, purporting the lessening of compliance costs for this category of taxpayers.

VAT threshold

Besides from determining the minimum VAT registration threshold, the Council of Ministers shall also have the right to establish a different VAT threshold for specific categories of taxpayers.

Currently, certain professions such as notaries, accountants, engineers etc. are obliged to register for VAT irrespective of their annual turnover.

Local Taxes

General Directorate of Tax on Immovable Properties

The draft law introduces a new public body i.e. the General Directorate of Tax on Immovable Properties (public legal entity under the supervision of the Ministry of Finance and Economy). The structure of this body shall be approved by an order of the Prime Minister, while the Council of Ministers shall adopt the rules for its organization and functioning.

The main competences of this Directorate will consist in (i) managing the central registry of the fiscal cadaster (established with the purpose of administering the immovable properties tax); (ii) managing the implementation of the immovable properties tax; and (iii) determining the level of tax on buildings using alternative assessment methods (based on criteria and rules to be adopted by a forthcoming Decision of the Council of Ministers).

Changes of the tax base of the tax on buildings

The draft law proposes a change in the tax base of the tax on buildings, from a fixed amount per each square meter of the buildings' surface to a percentage over the market value of the building.

The methodology and procedures for determining the market value of buildings shall be defined by the Council of Ministers. The tax on buildings' rate, applied as a percentage of the tax base per each year, shall be:

- i. 0.05% for buildings used for dwelling;
- ii. 0.15% for buildings used for economic activity;
- iii. 30% of the respective tax amount for the entire building, for which the developer has failed to complete the construction within the deadline set forth in the construction permit.

The tax on buildings is paid every month. For specific categories of taxpayers, the Council of Ministers may decide for other payment terms.

Changes to billboard tax amount

The Council of Ministers proposed changes to the billboard tax. The tax amount depends on the type of billboard (i.e. simple, illuminated, electronic). No tax shall be paid for billboards located at the place of activity of the taxpayer (used for identification purposes) when the billboard does not exceed a surface of 2 square meters.

Exemption from the tax on new constructions

As an additional incentive for accommodation structures "Five-star hotel, Special Status", no tax on new constructions shall apply to these new buildings (currently the tax is at a rate between 2% and 4% in Tirana and between 1% and 3% in other municipalities).

Appealing procedures against local taxes

Taxpayers will be required to submit their appeal against decisions or actions of local municipalities to the local tax appeal structure (currently the appeal is filed with the Mayor), according to the criteria and rules to be established by the municipal council. The next appeal level shall be the administrative courts.

Income Tax

Incentive for the tourism sector

The tourism sector shall be further incentivized with a decrease of the tax on profit to 0% for a 10-year period for accommodation structures "Four-Star and Five-Star Hotels, Special Status", benefiting the special status until December 2024. The effects of the exemption shall begin at the commencement of the economic activity, but not later than 3 years after obtaining the special status, in accordance with the applicable law.

Incentive for the IT sector

For entities operating as software developers, the profit tax shall be reduced from 15% to 5%. The Council of Ministers will define the activities involved in software production/development and the procedures for the implementation of this provision.

Excise Tax

Increasing of the excise tax for tobacco products

From 1 January 2018, the excise tax for cigarettes containing tobacco will become Leke 5,850 / 1000 pieces.

National Taxes

The draft law provides for the increase of capacity of cars qualified as luxury cars from 4+1 to 6+1.

In addition, the judiciary fees and tariffs set forth in the law no. 9975/2008 "On National Taxes" are abrogated. The judiciary fees and tariffs will be determined through a specific law.

Customs Tariff

An additional incentive is foreseen for the IT sector. More specifically, the government proposed to reduce certain custom tariffs, applied on import, related to products used in the IT sector.

Entry into force

If approved by the Parliament, the 2018 Fiscal Package is expected to enter into force on 1 January 2018, apart from certain provisions affecting local taxes (such as provisions regulating the tax on immovable properties) that would become effective on 1 April 2018.

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Boga & Associates

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