

Albania | Issue 03/13

To keep you up-to-date with the latest tax developments, this bulletin prepared by our Tax Team provides information that may affect the operation of your business in Albania.

On 6 March 2013 the Council of Ministers has passed two proposals for amendments to the Income Tax Law (8438/1998) and Local Taxes Law (9632/2006).

The draft laws have been submitted to the Parliament for examination and approval. Below you will find brief information on the proposed amendments.

- **Income Tax Law amendments**

(i) *Non deductible expenses*

It is proposed that expenses related to technical, consultancy and management services invoiced by non-tax registered persons shall be considered as non deductible in case the relevant withholding tax has not been paid within the tax period (calendar year) by the beneficiary of the services.

Under the current law provisions, expenses are tax deductible only if the entire invoice is paid within the calendar year. This provision has been further clarified in the Instruction "On Income Tax" of the Minister of Finance. According to the Instruction, the expense is deductible if either the invoice or the withholding tax is paid within the calendar year.

However, in the recent years, the tax inspectors have disregarded the invoices which were not paid within the year even if the withholding tax was paid in time, as instructed by the Minister of Finance. As such, the proposal is more than welcomed since it puts an end to the debates between the tax authorities and taxpayers on such issue.

(ii) *New rates of personal income tax*

The Council of Ministers proposes to amend the tax rates applicable to personal income from employment, as follows:

Income up to 30,000 Leke are exempted from the tax, while income exceeding 30,000 Leke shall be taxed at 10% of the gross amount.

- **Local Taxes amendments**

The following amendments to the Local Taxes Law are proposed:

- (i) State-owned properties under administration of state-owned public companies shall be exempted from the tax on building;
- (ii) Tax on occupation of public area shall apply only for those areas that are in the ownership or under administration of the local government.

In addition, the draft law has clarified that operation of antennas of mobile telephony and any other transmission antennas are not subject to *taxes with temporary character* (as defined in the Local Taxes Law) or *tariffs* defined in law 8652/2000 "On Organization and Functioning of the Local Government".

Upon approval of this proposal, the local government may no longer impose local taxes or tariffs on the said antennas.

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