

Albania | Issue 03/10

To keep you up-to-date with the latest economic and financial developments, this bulletin provides information that may affect the operation of your business in Albania.

Recent Amendments to Fiscal Legislation

New VAT threshold applies to certain categories of professional services

The Council of Ministers approved on March 3, 2010 the Decision no. 149 amending Decision no. 1058, dated 21.10.2009 “On Determination of the Minimum Threshold of Registration for Value Added Tax”. The new decision has been published in the Official Gazette as of April 2, 2010 and has entered into force upon such publication.

The new decision establishes that service providers engaged in the following activities (“the New Category”) should be registered for VAT purposes if their annual turnover exceeds Leke 2 million (approximately EUR 14,500):

- lawyer, notary public;
- specialized doctor, dentist, specialized dentist, pharmacist, nurse, midwife, veterinarian, architect, engineer, doctor of medical laboratory, designer, economist, agronomist;

- authorized auditor, certified accountant;
- property appraiser.

According to the current fiscal legislation, such persons shall continue to be subject to the local tax on small business (fixed amount determined on turnover basis) and personal income tax (at 10% rate applicable on gross income minus tax deductible expenses; further, the personal income tax shall be reduced by the amount of local tax on small business paid during the calendar year).

The table, in the Annex 1, summarizes the taxable persons liable to register for VAT purposes according to the nature of their supplies, their annual turnover and respective category of income tax.

New Rules for VAT Reimbursement

On April 14, 2010 the Minister of Finance adopted the Instruction no. 13, which amends the Instruction no. 24, dated 02.09.2008 “On Tax Procedures”.

Instruction no. 13, dated 14.04.2010 (the “New Instruction”) entered into force on April 22, 2010, upon its publication in the Official Gazette no. 46.

As per the New Instruction, a taxpayer who has a VAT credit with the tax authorities, which (VAT) fulfils the reimbursement conditions, and at the same time has a VAT obligation towards the customs authorities resulting from the VAT deferral scheme on import, is entitled to submit a written request to the Minister of Finance for approval of setting-off the reimbursable VAT amount with the said VAT obligation.

Upon receipt of such request, the Ministry of Finance shall ask for information to the relevant tax and customs authorities on the taxpayer’s fiscal status. The General Tax Directorate and General Customs Directorate shall reply to the Ministry within 14 days. To such purpose, each of these authorities shall issue a certificate showing the VAT credit and VAT deferred debt status of the taxpayer, along with the relevant documentation attesting such status.

The taxpayer and the General Tax and Customs Directors shall enter into an agreement reflecting the above setting-off, which shall be approved by the Minister of Finance (the content of such agreement is published). The setting-off of the above said amounts shall be implemented by each of the tax and customs authorities after receiving the agreement duly signed by the above said parties and approved by the Minister of Finance. Further, upon such approval, the taxpayer is automatically released from payment of VAT deferred debt towards the customs authorities.

New Tax Advisory and Investigative Bodies Introduced in the Tax Procedures Framework

On April 21, 2010, the new law no. 10261, dated 01.04.2010 was published in the Official Gazette no. 45. The said law provides for some amendments to law no. 9920, dated 19.05.2008 “On Tax Procedures in the Republic of Albania”, which introduce advisory and investigative bodies in the fiscal process, becoming effective from May 6, 2010.

The new bodies and their main role consist of the following:

- *Fiscal Council*. It is an advisory council established near the Ministry of Finance, which aims to coordinate the cooperation between the Ministry of Finance, General Tax Directorate and the taxpayers. The Council will discuss issues and propose measures purposing to attain an implementation of the fiscal legislation with a lower administrative cost for the tax authorities and lower financial cost for the taxpayers. In this context, the main scope of activity of the Council is to evidence and propose those measures or amendments necessary to create a fair and more practical legal and fiscal rules’ environment and less burden implementation by the taxpayers. The composition and functioning of the Council will be approved by a forthcoming decision of Council of Ministers.
- *Taxpayers’ Attorney*. It is appointed by the Minister of Finance upon approval of the General Tax Director. The Taxpayers’ Attorney safeguards the taxpayers’ interests in the context of relationships with the tax authorities. It is authorized to investigate the taxpayers’ complaints against the tax administration in case of unjustified tax administration delays, errors of the tax officers that have not been duly corrected and/or incompliance or breaches of the tax procedures by the tax administration officers. Anyhow, its investigation powers are limited since it may not intervene in those cases where the taxpayer is investigated by the Tax Authorities’ investigation departments or in an appeal process or in those cases related to the assessment of the taxpayer tax obligations amount.

BOGA & ASSOCIATES

Annex 1

Taxable Persons	VAT threshold registration (annual turnover)	Income Tax
New Category	> Leke 2 million	Local tax on Small Business and Personal Income Tax
All suppliers of goods and services	> Leke 5 million but < Leke 8 million	Local tax on Small Business and Personal Income Tax
All suppliers of goods and services	> Leke 8 million	Corporate Income Tax

BOGA & ASSOCIATES

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.

For more information contact:

Boga & Associates
Deshmoret e 4 Shkurtit str.
P.O Box 8264
Tirana, ALBANIA

Tel +355 4 225 1050/225 1022
Fax +355 4 225 1055

Internet: <http://www.bogalaw.com>
E-mail: info@bogalaw.com

Genc Boga - Partner
Alketa Uruçi – Senior Manager

Boga & Associates
Nene Tereza str.
Entry 30, No. 5
Pristina, KOSOVO

Tel +381 38 223 152
Fax +381 38 223 153

© 2010 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 (info@bogalaw.com) or consult them in our website (www.bogalaw.com).

To unsubscribe from future publications of our Tax Alert, please send “Unsubscribe” to info@bogalaw.com by replying to our email accompanying this Tax Alert.

Boga & Associates

Boga & Associates, established in 1994, has emerged as one of the premiere law firms operating in Albania and Kosovo, earning a reputation for providing the highest quality of Legal, Tax and Accounting services to its clients.

The practice maintains its commitment to quality through the skills and determination of a team of attorneys and advisors 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 business environment.

Boga & Associates represents a broad spectrum of high-profile clients, including financial institutions, airlines, industrial complexes, energy, mining and petroleum concerns, non-profit organizations, embassies, public utilities, commercial companies, international and governmental agencies.