

Albania | Issue 06/10

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.

Albanian Government Proposes New Amendments to the Income Tax Law

The Council of Ministers has recently approved a draft law introducing some amendments to provisions of the law no. 8438, dated 28.12.1998 "On Income Tax" (the "Draft Law"). The Draft Law shall be submitted to the Albanian Parliament for approval.

Below is a brief summary on the most important amendments:

Income Deriving from Gambling and Inheritance shall become Taxable

Among the categories of taxable income, are also introduced those deriving from gambling and inheritance. An Instruction of the Minister of Finance will clarify the procedure about payment of tax, especially in case of inheritance.

Annual Tax Return

Subject to existing provisions of the Income Tax Law, any individual realizing Albanian sourced income, which has not been subject to withholding tax, shall declare such income within 30 January of the following year.

According to the Draft Law, all taxable individuals (whether self-employed or not), being resident in Albania, as well as non-resident individuals that realize Albanian sourced income, shall submit to the tax authorities the annual income tax declaration (Annual Tax Return), not later than 30 April of the following year.

These categories of taxpayers are not required to file the Annual Tax Return:

- self-employed individuals that realize an annual turnover up to Leke 2,000,000 (approximately EUR 14,800);
- individual taxpayers that realize an annual income up to Leke 200,000 (approximately EUR 1,480).

However, the Annual Tax Return may be voluntarily filed by the above indicated persons, as well as by other taxpayers who do not have the obligation to file it. The persons that undertake to file the Annual Tax Return will benefit from the *deductible expenses scheme* provided by the Draft Law.

According to the *deductible expenses scheme* established by the Draft Law, certain expenses are considered as tax deductible for purposes of calculating the taxable income. Persons realizing an annual income less than Leke 800,000 (approximately EUR 6,000) are entitled to benefit from such scheme.

The difference between the amount of gross income and deductible expenses shall compose the taxpayer's taxable income subject to tax at 10% rate. The tax amount shall be paid within 30 days from submission of the Annual Tax Return. In case of a credit amount, the tax authorities shall reimburse to the taxpayer the amount of tax paid in excess or, upon the taxpayer's consent, use it for payment of income tax in the following years.

The Minister of Finance shall issue a specific instruction to introduce specific rules for implementation of the above said provisions.

The Draft Law shall enter into force on 1 January 2011. Therefore, the first annual tax return (which will cover income generated during year 2011) shall be filed on or before 30 April 2012.

New Minimum Monthly Salary

The Council of Ministers has approved a new decision "On Determination of the Minimum Salary on Country Level", which abrogates the existing decision no. 522, dated 13.05.2009 (the "New Decision").

As per the New Decision, the minimum monthly salary payable in Albania is **Leke 19,000** (previously Leke 18,000), to be granted for 174 working hours performed during the normal working hours. Based on the new monthly salary amount, the minimum hourly salary becomes Leke 109.

The New Decision shall apply starting from 1 July 2010.

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:

Genc Boga gboga@bogalaw.com
Alketa Uruçi auruci@bogalaw.com
Mirjeta Emini memini@bogalaw.com

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

<http://www.bogalaw.com>

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 (marketing@bogalaw.com) or consult them in our website (www.bogalaw.com).

To unsubscribe from future publications of our Tax Alert, please send “Unsubscribe” to marketing@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.