

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.

Tax and regulatory update Amendments to labor, social security and tax legislation

Public Holidays

On 15 April 2004, the Albanian Parliament adopted Law no. 9222 “Amendments to the law no. 7651 dated 21.12.1992 “On Public Holidays”. In addition to other public holidays, this law provides for a new public holiday:

14 March - “Summer Day”

The law has entered into force on 12 June 2004.

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Social Security Contributions

Decision no. 424, dated 2 July 2004 of the Council of Ministers “On Social Security Contributions” amended Decision no. 402, dated 11.06.2001 of the Council of Ministers. According to the new amendment “*The minimum salary subject to social security contribution is Lek 11,376 and the maximum is Lek 56.881*”.

Social security contribution rates to be paid by both the employee and employer are not subject to changes; therefore the same rates apply:

Contribution rate:	Paid by employer	Paid by employee
Social insurance	29.0 %	9.5 %
Health insurance	<u>1.7 %</u>	<u>1.7 %</u>
	30.7 %	11.2 %

Monthly declarations and payments of social security contributions by employers should be made not later than the 25th day of the successive month. This decision has been effective since 1 July 2004.

Export of Consulting Services

The General Tax Directorate (GTD) has recently released its official interpretation concerning the tax treatment of consulting services, supplied by Albanian tax-registered businesses to foreign entities, based on article 31/b of Law no. 7928 as of 27 April 1995 “On VAT”.

The GTD’s official interpretation can be summarized as follows: Consulting services provided by Albanian resident companies to their non-resident clients are considered as export services and as such are subject to a 0% VAT rate. The documentation supporting the export of such services must prove that the consumption of the services rendered has taken place outside of Albania.

Adequate documentation may include the VAT registration number of the company that benefits from the service. Nevertheless, the tax authorities, on a case-by-case basis, may accept official confirmation regarding the foreign company from the foreign tax authorities or payment documentation or other official documents describing the residency status of the recipient of the services.

When the services are supplied using digital data transfer, the supplier is held responsible to prove that the receiver of the services is a non-resident entity. As electronic technology limits the use of documentation, the tax authorities will consider any document submitted, such as contracts, correspondence, documents of payment, etc. that may verify or provide sufficient proof to justify the export of services.

Note that the use of an electronic address, such as xxx@xxxxxxx, for supplying the services rendered is not considered sufficient evidence that the service has been exported.

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