

Tax Alert

Albania • Issue 3 • June 2014



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Fiscal amnesty

The following administrative penalties and fines imposed as a result of tax inspections carried out during the period from 1 March 2013 to 31 August 2013 are to be remitted as of 29 May 2014:

- Penalties related to tax liabilities imposed by tax authorities through a tax assessment notification issued or recorded in the tax authorities' system.
- Penalties which have been appealed or subject to court proceedings.
- Fines imposed for undeclared or delayed employee declarations, non-installation of fiscal equipment, or non-issuance of fiscal coupons.

Taxpayers that have paid the above penalties and fines will be fully reimbursed.

The fiscal amnesty excludes the following obligations:

- Additional tax liabilities resulting from a tax inspection and the related interest resulting from late payment of liabilities.
- Fines and penalties calculated automatically by the tax authorities' information system due to violations of the Law on Tax Procedures.

[Source: Law No. 39/2014 dated 17 April 2014, issued by the Ministry of Finance, Official Gazette No. 67 published on 14 May 2014.]

Transfer Pricing

As of 4 June 2014, some amendments apply to law No.8438 dated 28 December 1998, "On Income tax". These amendments bring substantial changes to Transfer Pricing regulations and introduce new concepts on related parties, controlled transactions and transfer pricing documentation.

Until recently the Albanian legislation only provided limited guidelines regarding transfer conditions and obligations.

In addition to the above, penalties and fines in cases of non-compliance with Transfer Pricing provisions are set by the Law on Tax Procedures.

As the Albanian legislation had previously been silent on Transfer Pricing procedures and documentation, PwC Albania will provide a separate alert detailing this matter.

[Source: Law No. 42/43-2014 dated 24 April 2014, issued by the Ministry of Finance, Official Gazette No. 70 published on 20 May 2014.]

Amendments to the Law on CIT

The following amendments to the Law on CIT apply as of June 2014:

- Expenses incurred for services provided by a non-resident entity to an Albanian company are deductible for that company if it pays the withholding tax within the calendar year. If these services are provided by entities resident in countries with which the Republic of Albania has a Double Tax Treaty in place, the provisions of such treaties prevail.
- The voluntary contributions for pension schemes or other insurance schemes are deductible for CIT purposes.
- Per diem allowances are defined as expenses incurred by personnel for meals / food while they are out of the office (abroad, or within the country) for business purposes. Supporting documentation is no longer required for such expenses and, therefore, not a condition for their deductibility.
- A tax return template on the calculation and payment of withholding tax (WHT) is available for the use of taxpayers in the Republic of Albania. WHT has to be paid and the related return should be submitted by the twentieth of the month following that in which the payment was made to the supplier. Only for the months of July and December, WHT is paid by the end of those months (i.e. 31 July and 31 December respectively).
- Taxpayers are subject to a penalty of ALL 10,000 for failure to submit the shareholders' resolution for the profit destination of the year by 31 July of the following year. The penalty was previously ALL 25,000.

[Source: Instruction No. 14 dated 23 May 2014, issued by the Ministry of Finance, Official Gazette No. 80 published on 4 June 2014.]

Value added tax on import of machinery and equipment

Additional items have been included in the list of machinery and equipment imported by taxpayers eligible for exemption from VAT on import (please refer to Issue 2 of Tax Alert, dated April 2013).

[Source: Decision of Council of Ministers No. 348 dated 4 June 2014, Official Gazette No. 85 published on 11 June 2014.]



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