Tax Newsflash

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Corporate income tax

The draft law on Law No. 8438 "On income tax", as provided in Issue 5 of Newsflash dated October 2012, has been approved with amendments. The following changes come into force as of 24 January 2013:

- Self-employed taxpayers with annual turnover from their business activity of less than ALL 2 million have to consider as part of their individual income 10% (not 20% as specified in the draft law) of the annual gross turnover resulting from their business activity.

- Fiscal losses can be carried forward for three consecutive fiscal periods, except when more than 50% of the ownership of the company changes. The current law specifies that a 25% ownership change results in a company losing the right to carry forward its fiscal loses.

Furthermore, the following additions also come into force as of 24 January 2013:

- Indemnification of damages supported by court decisions, compensation of court costs, as well as income earned from government institutions for achievements in the fields of science, sports and culture, are no longer subject to CIT.

- Scholarships given to students from private and public education institutions are deductible expenses for CIT purposes up to the limits approved by the Council of Ministers. For these expenses to be considered deductible, the institutions have to provide the Ministry of Education and Science at the beginning of each academic year with the number and the amount of the scholarships given.

- No fines or penalties will be applicable for individuals who have submitted their personal income tax declaration for the fiscal year 2011 by 31 December 2012, even though the initial submission deadline of 30 September 2012 was not met.

[Source: Law No 122/2012, dated 20 December 2012, Official Gazette No. 177 published on 9 January 2013.]

Tax procedures

The draft law on Law No. 9920 “On tax procedures in the Republic of Albania”, as provided in Issue 5 of Newsflash dated October 2012, has been approved. The following changes come into force as of 24 January 2013:

- Non-resident taxpayers required to appoint a tax representative in Albania will have to follow Regional Tax Directorate registration procedures, instead of the current requirement to follow National Registration Centre procedures.

- Penalties for failure to declare new employees at least one day prior to their commencement of work are expected to change as follows:

    - From ALL 100,000 to ALL 500,000 for registered taxpayers subject to CIT and VAT; and

    - From ALL 50,000 to ALL 250,000 for all other taxpayers.

[Source: Law No 124/2012, dated 20 December 2012, Official Gazette No. 177 published on 9 January 2013.]

Value added tax

The draft law on Law No. 7928 “On value added tax”, as provided in Issue 5 of Newsflash dated October 2012, has been approved with additional changes in the specified law. The following changes come into force as of 24 January 2013:

- Machinery and equipment imported exclusively to meet investment contracts worth ALL 50 million or more will be excluded from VAT. Import of such machinery and equipment will constitute, therefore, VAT exempt supplies. The current law applies the deferral scheme on the payment of VAT on imported machinery and equipment without any limits.

  Machinery and equipment imported previously under the VAT deferral scheme for which the deadline for obtaining Custom Authorities or Ministry of Finance authorisation is not overdue by 24 January 2013 will also be VAT exempt. If VAT is paid by that date, however, reimbursement of that payment cannot be claimed back. For machinery and equipment for which the deadline for obtaining Custom Authorities or Ministry of Finance authorisation is overdue by 24 January 2013 and there is no VAT credit balance available for reimbursement, the deferred VAT obligation will be written off. In cases where there is credit balance available for reimbursement, the deferred tax can still be written off on the condition that such VAT credit is not claimed back from the tax administration.

- Machinery and equipment imported exclusively to meet investment contracts related to the active processing or agribusiness sectors are excluded from VAT. Import of such machinery and equipment will constitute, therefore, VAT exempt supplies.

- Machinery and equipment imported from taxpayers subject to personal income tax on small business exclusively for their business activity will be considered VAT exempt.

- The import of iron and cement to be used exclusively as raw materials for the construction of hydropower plants will be exempt from VAT.

[Source: Law No 125/2012, dated 20 December 2012, Official Gazette No. 177 published on 9 January 2013.]

Custom duties

The custom duty of unroasted and roasted coffee changes from 10% to 0% as of 24 January 2013.

[Source: Law No 123/2012, dated 20 December 2012, Official Gazette No. 177 published on 9 January 2013.]

Excise tax

As of 24 January 2013, unroasted coffee is exempt from excise duties, whereas the excise rate of roasted coffee becomes ALL 60/kg.

The excise rates for these categories prior to the changes were ALL 30/kg and ALL 140/kg respectively.

[Source: Law No 121/2012, dated 20 December 2012, Official Gazette No. 177 published on 9 January 2013.]

This Tax Newsflash is produced by PwC Albania's Tax and Legal Department