

Tax News

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Decision on Tax Procedures

As of 1 January 2015, following the amendments to the tax procedures legislation, tax forms are accepted only via electronic submission.

For the electronic identification of Albanian employees, the national identification number is used for all registration purposes. For foreign employees, the insurance number should be used or, in cases where one is not available, the personal identification number as provided in the foreign employee's passport can be used instead.

[Source: Decision No. 922 dated 29 December 2014, issued by the Ministry of Finance, Official Gazette No. 210 published on 13 January 2015.]

Instruction on Value Added Tax

As of 1 January 2015, a new Instruction on Value Added Tax providing further details to the application of the Law on Value Added Tax became effective.

This Instruction has been published in conjunction with the new Law on Value Added Tax which became effective on 1 January 2015 as well with the major changes mentioned in our special issue tax alert "On Value Added Tax".

The main changes reflected in the Law and detailed in the Instruction concern, among other aspects, the determination of the place of supply, definition of the supply of goods and services, VAT applicability, the billing process and special tax regimes. A summary table, as provided below, serves to determine the place of supply and, as such, VAT applicability.

Place of the supplier - taxable person	Place of recipient - taxable person	Place of recipient - nontaxable person	Place of supply/tax of service
Albania	Not in Albania		Not taxable in Albania
Not in Albania	Albania		Taxable in Albania
Albania		Not in Albania	Taxable in Albania
Not in Albania		Albania	Not taxable in Albania

[Source: Instruction No. 6 dated 30 January 2015, issued by the Ministry of Finance, Official Gazette No. 12 published on 6 February 2015.]

Furthermore, pursuant to the new Law on VAT, more guidelines on the provisions of the law have been provided through Decision nr. 14 dated 14 January 2015:

- The Ministry of Finance specifies the additions to the list of machines and devices used for agricultural purposes which are exempt from VAT.

[Source: Decision No. 13 dated 14 January 2015, issued by the Ministry of Finance, Official Gazette No. 3 published on 23 January 2015.]

Instruction on Social and Health Contributions

As of 1 January 2015, a new Instruction on Social and Health Contributions became effective. According to the Instruction, credit from overpayment of taxes can no longer be used to offset the unpaid social and health contributions or any related fines.

In addition, based on Decision no. 77 dated 28 January 2015, “On mandatory contributions and the benefits from the system of social and health security”:

- Foreign employees with permanent residence outside Albania may be exempt from paying social contributions based on certain conditions regarding the status of the companies they are employed by and the necessity of those companies to register with Albanian tax authorities.
- Exemptions from social security contributions arise in the following scenarios with the conditions fulfilled by the employees if:
 - they work for foreign entities which, based on agreements, do not need to register with the local tax authorities;
 - they work for a foreign entity which performs qualified work or services based on a service contract with a locally registered firm which is not a branch or unit of the contracting subject and do not have to register with the local tax authorities;
- The minimum monthly salary for the calculation of social and health contributions is ALL 22,000 (was ALL 19,406).
- For employees who work for more than 87 hours per month, social and health contributions must be calculated on a gross salary of at least ALL 22,000, at a total rate of 24.5% and 3.7%, respectively. Those who work for less than 87 hours per month can have their social security rate decreased to a total rate of 23.3%, with the health contribution remaining the same.
- Detailed explanations of the categories of employees and the criteria for the applicability of each of the 31 categories are detailed further in the instruction.
- Working time below 87 hours per month classifies as part-time work and, as such, the social and health contributions for part-time employees must be calculated on the monthly gross salary, which should not be less than the minimum wage in the country. This was previously the case for full-time employees, but not specifically stated for part-time employees.

[Source: Instruction No. 1 dated 9 January 2015, issued by the Ministry of Finance, Official Gazette No. 1 published on 21 January 2015; Decision No. 77 dated 28 January 2015, issued by the Council of Ministers, Official Gazette No. 9 published on 3 February 2015.]

Income Tax

As of 8 January 2015, Instruction No.5 “On income tax” has been amended in line with the Law “On Corporate Income Tax” as follows:

- The deadline for banks and other financial institutions to withhold and pay personal income tax on interest earned by individual customers has changed to the twentieth of the following month (previously, the fifteenth).
- Withholding tax for dividends, interest, rent and sale of immovable property in the context of income taxes has been increased to 15% (was 10%).
- In order to claim deductible expenses for invoices received from third parties, withholding tax should be declared and paid by 20 January of the following year (previously, end of current calendar year), unless these invoices relate to technical services, consulting and managements services, in which case, the withholding tax should be paid by 20 December of the current year.
- Employers registered as taxpayers for small business taxes must pay income tax by the twentieth of the month following the end of a quarter (previously, the tenth).
- Taxpayers are notified only once (i.e. by 30 April) by the tax authority of the income tax instalments due for the current year.
- Example calculations of income tax instalments, as well as a detailed list of the documentation accepted by the tax authorities when considering a reduction in the income tax instalments, have been provided.
- Regarding the distribution of dividend income, the condition that a shareholder has to own at least 25% of the shares of a company or the capital of the company in order to be exempt from income tax has been abolished. As long as income tax has been paid by the Company distributing the dividends, the recipient of the dividend is exempt from income tax.

[Source: Decision No. 31 dated 29 December 2014, issued by the Ministry of Finance, Official Gazette No. 206 published on 8 January 2015.]

Law on Excise

As of 10 February 2015, the following amendments have entered into force amending Decision No. 612 dated 5 September 2012, “On applicable dispositions of the law on excise”:

- Entities performing oil exploration and refining activities are no longer exempt from excise tax on oil products and by-products under any circumstances.
- The maximum limit for which the buyer is exempted from getting a fiscal stamp increases from three-times the allowed quantity to five-times the allowed quantity, for those excise goods which must carry a fiscal stamp and are destined for personal consumption.
- Excise cannot be reimbursed if the excise product released for final consumption has not been consumed within a year from the date of the excise payment.
- In order to benefit from reimbursement of excise tax on biofuel, it has to be produced in Albania. The procedures for biofuel reimbursement have also been updated.

- The guarantee required from operators that administer fiscal stamp activities is specified to be fixed at ALL 10,000,000.
- In cases where an entity or individual requests the exclusion of tobacco from excise tax because it will be used for scientific tests related to production quality, the tax authority has a 15-day deadline for responding to requests (instead of the previous three days) from the date it first receives the request.
- An ad-hoc committee will evaluate the amounts to be reimbursed to businesses in relation to the destruction of excise products before 1 October 2012. The Decision details the procedures to be followed.

[Source: Decision No. 30 dated 14 January 2015, issued by the Council of Ministers, Official Gazette No. 4 published on 26 January 2015.]

Transfer Pricing

As of 6 March 2015, some amendments apply to law No.8438 dated 28 December 1998, “On Income tax” concerning Transfer Pricing.

- The procedures for entering advance pricing agreements with the Albanian tax authority are provided in detail, both for unilateral and multilateral agreements.
- The total value of the related-party transactions for the total period covered by the agreements has to be more than EUR 30 million. The maximum length for which the agreements may be valid is five years.
- The application fee for an advance pricing agreement is ALL 50,000 and is not refundable. The administrative fee, applicable after the acceptance of the application, is ALL 300,000 for a unilateral advance pricing agreement and ALL 1,200,000 for a bilateral or multilateral advance pricing agreement. In the event that the application is officially rejected, 90% of the administrative fee is refundable.
- The estimated maximum time for the completion of the process for advance pricing agreements is approximately eight months for unilateral agreements and 10 months for multilateral agreements.

[Source: Instruction No. 9 dated 27 February 2015, issued by the Ministry of Finance, Official Gazette No. 31 published on 6 March 2015.]

Immovable Property

As of 8 January 2015, the deadline for the payment of income tax for the transfer of ownership rights of immovable property has changed to the twentieth of the following month (previously, the tenth).

[Source: Decision No. 36 dated 30 December 2014, issued jointly by the Ministry of Finance and Ministry of Justice, Official Gazette No. 206 published on 8 January 2015.]

Free Economic Zone

The area of Spitalë 2 in the region of Durrës has been designated as a Free Economic Zone and allocated state aid following a series of decisions by the Council of Ministers. The area of 500 hectares is available to investors for the symbolic price of EUR 1 for a period of 35 years. The activities that can be pursued in the area are categorised as production, industrial, agromanufacturing, trade and goods storage, and services.

[Source: Decision No. 72 dated 28 January 2015, issued by the Council of Ministers, Official Gazette No. 11 published on 5 February 2015, Decision No. 193 dated 4 March 2015, issued by the Council of Ministers, Official Gazette No. 34 published on 12 March 2015; Decision No. 55 dated 23 February 2015, issued by the State Aid Commission, Official Gazette No. 39 published on 18 March 2015.]

Double Tax Treaty

On 18 March 2015, the Double Tax Treaty for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income between the Republic of Albania and the Republic of Iceland was signed between the two countries. This Double Tax Treaty is not effective yet, however, as it must be ratified by both countries first.

[Source: Law No. 14/2015 dated 26 February 2015, issued by the Council of Ministers, Official Gazette No. 38 published on 18 March 2015.]

Hydrocarbons Industry

The changes and additions below in the Law “On Hydrocarbons” became effective as of 16 April 2015:

- Contractors that have signed agreements for hydrocarbons are requested to report to the “Secretariat of the Transparency Initiative for the Extraction Industry” as per their required specifications according to the new transparency initiative.
- All agreements made with “Albpetrol” prior to the privatisation will continue to be effective even after the privatisation of the company is completed.

[Source: Law No. 19/2015 dated 12 March 2015, issued by the Parliament, Official Gazette No. 48 published on 1 April 2015.]

Bank Regulatory Capital

As of 31 March 2015, two Decisions concerning the regulations that determine the method for calculating the minimum regulatory capital for banks became effective. Further detail is provided on how the computer system for reporting and compensation will work.

[Source: Decision No. 69 dated 18 December 2014, issued by Bank of Albania, and Decision No. 70 dated 18 December 2014, issued by Bank of Albania, Official Gazette No. 213 published on 20 January 2015.]