

# Tax Alert

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## National Taxes

New legislation has been approved “On some additions and amendments to Law No. 9975 “On National Taxes”, as amended”. The new legislation introduces a series of changes, as detailed below:

### Luxury Cars

Luxury cars will be considered any vehicles with four + one seats and either:

- a) cylinder equal to or greater than 3,000 cm<sup>3</sup>; or
- b) value / price greater than or equal to ALL 7,000,000.

A new initial registration and annual tax will be introduced for these vehicles, independent of the annual tax obligation for used vehicles. The following tax rates will apply for luxury cars:

- a) Initial registration tax of 70,000 ALL;
- b) Recurring annual tax of 21,000 ALL.

### Insurance Premiums

The tax on insurance premiums, with the exception of insurance premiums for life, travel health and green card products, has been increased from 3% to 10% of the premium's value.

### Tax on Minerals

The tax on minerals has also changed for a number of items. Instead of a fixed percentage, the taxation mechanism has become weight- or volume-indexed, based on tonnes or m<sup>3</sup> for several items including coal, granite, construction tiles, etc. The legislation came into force on 1 January 2016.

[Source: Law No. 141/2015 dated 17 December 2015, issued by the Council of Ministers, Official Gazette No. 252 published on 22 January 2016.]

## Local Taxes

New legislation has been approved “On some additions and amendments to Law No. 9632 “On the Local Tax System”, as amended”.

### Tax Brackets

The corporate income tax brackets have been changed as follows:

Annual turnover	Until 2015	2016
ALL 0-2 million	ALL 25,000	ALL 0
ALL 2-5 million	7.5%* of the taxable profit	ALL 0
ALL 5-8 million	7.5%* of the taxable profit	5% of the taxable profit
> ALL 8 million	15% of the taxable profit	15% of the taxable profit

\*But not less than ALL 25,000

### Tourism

The basis for calculating the tax on hotel accommodation will change from the price per person or per room to the number of nights spent in the hotel per person. Instead of being calculated at 5% of the price charged, the tax rate has been changed to a fixed value per night of stay depending on the designated zone (Tirana vs. other regions) where the hotel is located and the quality of the hotel, for which the number of stars is used as a proxy. The rates range from ALL 35 to ALL 350 per night.

### Billboard Taxes

Category	Tax Rate (ALL)
<b>Billboard for identification purposes</b>	
Within the premises and below 2 m <sup>2</sup>	0 per year
Within the business premises and above 2 m <sup>2</sup>	45,000 per m <sup>2</sup>
Outside the business premises, below 2 m <sup>2</sup> and similar to a road sign	120 per year
<b>Mobile or immobile billboard for advertisement purposes</b>	
Tirana – Simple billboard	45,000 /m <sup>2</sup> /year
Tirana – Electronic billboard	90,000 /m <sup>2</sup> /year
Municipalities that are prefecture centres	22,500 /m <sup>2</sup> /year
Municipalities that are prefecture centres	45,000 /m <sup>2</sup> /year
Other municipalities – Simple billboard	13,500 /m <sup>2</sup> /year
Other municipalities – Electronic billboard	27,000 /m <sup>2</sup> /year
<b>Other billboards</b>	
Billboards for various open-space expositions, fairs, shows, advertisement booths, banners, etc.	1,000 /m <sup>2</sup> /day

The current legislation continues to specify, however, that the billboard tax may be modified by respective municipal council decisions.

### *Tax on Buildings*

The following changes apply regarding the tax on buildings, with a new subcategory added concerning buildings used for production activities:

Municipality	Value of the tax ALL/m <sup>2</sup> /year
Tirana, Durres,	200
Shkoder, Elbasan, Berat, Korce, Delvine, Kurbin, Peqin, Kucove, Kavaje, Kruje, Lezhe, Lushnje, Fier, Vlore, Sarande	150
The rest	100

Moreover, constructions in tourist villages will no longer be subject to the higher tax rate applicable to Tirana and Durres, but will be subject to the standard rates.

### *Tax on Land*

“Land” for tax purposes is defined as an area of land, non-agricultural, which is within the delineation of a construction, defined through land planning legal documentation, with approval for construction on it.

Tax on land will be added to the list of applicable taxes, defined in ALL/m<sup>2</sup>/year and payable to the local municipality. The tax rate on land will be the same as the previous tax on the first category of agricultural land, ranging from ALL 12/m<sup>2</sup>/year to ALL 20/m<sup>2</sup>/year for businesses, depending on the municipality of their location.

*[Source: Law No. 142/2015 dated 17 December 2015, issued by the Council of Ministers, Official Gazette No. 252 published on 22 January 2016.]*

## *Excise Tax*

New legislation has been approved “On some additions and amendments to Law No. 61/2012 “On Excise in the Republic of Albania”, as amended”. A new article has been added to the provisions on excise tax reimbursement, specifying that excise will not be reimbursed for oil by-products utilised for their own needs by oil exploration entities and utilised for putting into operation oilfields, irrespective of the goal of utilisation.

The application of excise stamps prior to importation for goods which are required to have excise stamps remains effective, except, when goods are in transit or are stored in a fiscal warehouse. For goods imported without excise stamp and stored in a fiscal warehouse, the moment of application of fiscal stamps should be prior to their release for consumption. Cigarettes and cigarillos are excluded from this procedure. The application of excise stamps to stock in a fiscal warehouse can be performed only under the supervision of customs authorities.

The guarantee for primary goods stored or in transit, specifically energy goods which are also covered by the law on excise tax, has changed from 100% of the excise value of the respective final product to ALL 25 /kg. A new guarantee has also been introduced for tobacco leaves which will be equal to 100% of the excise tax on ground tobacco, the respective final product.

It has also been specified that all traders collecting tobacco leaves must be “Approved Depositors”.

*[Source: Law No. 140/2015 dated 17 December 2015, issued by the Council of Ministers, Official Gazette No. 244 published on 11 January 2016; Decision No. 38 dated 21 January 2016, issued by the Council of Ministers, Official Gazette No. 9 published on 29 January 2019.]*

## *Social and Health Contributions*

Following the changes, a new table with monthly wages has been approved whereby the level of the minimum wage for social and health contribution purposes is determined by the type of professional activity, the area where it occurs, number of years in the profession, the number of employees, the wage level for a similar job in the public sector, the number of years according to professional licence and the status of the profession. The breakdown of the descending rates is provided by municipal centre, where Tirana is category I, Durrës, Elbasan, Shkoder, Fier, Vlorë, Korce are category II and the remainder of the municipalities classified in the other 3 categories.

For the purpose of calculating the social and health contributions, for each additional paid or unpaid employee that such categories of businesses employ, the minimum wage increases by 3% for each full-time employee and family member, and by 2% for each part-time employee, but never more than the maximum wage.

For professional activities conducted within the first three years from when a business is set up, there is a 30% reduction in the minimum wage, which decreases to 15% for the following three years. Hence, for the first six years of professional activity, an individual in one of these professions benefits from a reduction in the reference minimum wage, irrespective of the number of employees.

When the professional activities defined are performed by people who are employed or perform other self-employment activities, the monthly wage which is used for the purpose of calculating social and health contribution will be equal to the minimum wage at the national level, on the condition that the total sum of the wages from all of the activities does not exceed the level of the maximum wage, only for the purpose of the payment of social and health contributions.

*[Source: Decision No. 37 dated 21 January 2016, issued by the Council of Ministers, Official Gazette No. 9 published on 29 January 2016.]*

## *Hydroelectric Power Plants*

The method of calculating the sale price of energy produced from hydropower stations up to 15 kw/H has been changed, as described below:

- The price of sale (ALL per kw/H) = the average price of the Hungarian stock market of energy in EUR cent per kw/h x the coefficient 1.24 (if applicable) x average exchange rate EUR/ALL for the year.

This marks an increase of the coefficient from 1.1 to 1.24.

*[Source: Decision No. 1033 dated 16 December 2015, issued by the Council of Ministers, Official Gazette No. 221 published on 24 December 2015.]*

## *Business Registration Procedures*

A new institution has been established, the National Business Centre. The National Business Centre will incorporate the functions of both the National Registration Centre and the National Licensing Centre. The National Business Centre is expected to become operational on 28 March 2016. When the National Business Centre becomes functional, the National Registration Centre and the National Licensing Centre will be abolished, with the National Business Centre then performing the duties of both entities.

*[Source: Law No. 131/2015 dated 26 November 2015, issued by the Council of Ministers, Official Gazette No. 215 published on 14 December 2015.]*

## *New Employment Incentives*

A number of government programmes designed to bolster employment have been amended. The most important of such programmes was enacted through Decision No.47 dated 16 January 2008 “On the Work Incentives Programme”. The new legislation enacted foresees a number of changes in the current scheme for work training, employment incentives for young employees and workers in difficulty, as well as new incentives for businesses to hire employees who are orphans under the age of 30 years old

The types of incentives offered include payment of minimum wage for the first three months of training, payment of social and health contribution for up to 15 months and subsidisation of the social contributions for accidents at work.

*[Source: Decision No. 64 dated 27 January 2016, issued by the Council of Ministers, Official Gazette No. 11 published on 3 February 2016; Decision No. 65 dated 27 January 2016, issued by the Council of Ministers, Official Gazette No. 13 published on 5 February 2016]*

## *Technology and Economic Development Zones*

A new regulation published by the Council of Ministers expands on the framework under which technological and economic development zones will operate. The new regulation defines their organisation, procedures for the selection of investors and their respective rights and obligations, permits, ways of moving goods in and out of the zones, as well as further detailed information on the daily operations of the zones and their implementation.

*[Source: Decision No. 106 dated 10 February 2016, issued by the Council of Ministers, Official Gazette No. 25 published on 18 February 2016]*