

Tax Alert

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Tirana Municipal Taxes¹

In accordance with Law No. 9632 dated 30 October 2006 “On the Local Taxation System”, the Tirana municipal council approved via decision no. 59 of the municipal council on 30 December 2015 the amended “System of Local Taxes and Tariffs in the city of Tirana”. Some of the changes reflected in the decision have been directly adopted from Law No. 194/2015, which amended Law No. 9632 “On the Local Taxation System” and came into effect as of 1 January 2016.

Tax on Buildings

Taxes on residential buildings remain unchanged, whereas those for buildings in the category “Other” have been modified.

Category	2015 (ALL/m ² /year)	2016 (ALL/m ² /year)
Small Business (commerce and services)	280	280
Big Business and VIP (commerce and services)	280	440
Production	200	
Other	100	
Building owned or used in territories designated as tourist villages	400	440

¹ Please note that the change of some of the municipal taxes is currently being challenged by a case brought before the Administrative Court of Appeals in Tirana. Depending on the outcome of the court case some of these tax provisions could be repealed in the future.

Tax on buildings used for commerce and services has been split into two new categories, one for small businesses and one of big and VIP businesses (businesses generating more revenue than those classified as big businesses). While the 30% downward revision from the level set in the national legislation remains intact for the tax rate on small businesses, the reduced tax rate will no longer be applicable for big and VIP businesses.

Tax on the Occupation of Public Space

Following the amendment to Law No. 9632 “On the Local Tax System”, the administration, brackets and provisions for the determination of the tax on the occupation of public space, have been left exclusively to the discretion of local municipal councils. The Tirana municipal council has significantly changed the tax rates shown below and denominated in ALL/m²/month:

Type of activity	Area A		Area B		Area C	
	2015	2016	2015	2016	2015	2016
Shows and fairs	150	1,500	150	750	150	400
Business/commerce in public markets administered by municipal units	150		150		150	
Business exposition of goods outside commercial units including tables, vases, etc.	150		130		120	

The tax on the occupation of public space is now uniform within any particular geographic designation in Tirana, irrespective of the type of activity performed.

As a result of decision no. 8 dated 11 March 2016, issued by the Tirana Municipal Council, the entry into force of the new tax rates was delayed until March 2016, with the old tax rates (applied in 2015) being valid for the periods January and February 2016. The deadline for the recurring instalment payment was also postponed from 20 April 2016 to 31 April 2016, only for the current tax period.

Cleaning and Waste Disposal Tax

The cleaning and waste disposal tax has been doubled for big and VIP businesses, but remains unchanged for small businesses with annual turnover of up to ALL 8 million. Associations, foundations, public entities, NGOs and peddlers are not affected by the tax hikes.

The exemption of small businesses performing activities such as bars, restaurants, cafés, etc. from the tax per table per month was initially cancelled through decision no.59, but decision no. 8, effective from 21 March 2016, subsequently officially abolished this tax for all business categories altogether.

Finally, a new category has been established for construction entities working in the field of stone, inert carriers, etc. and related / similar activities. A relatively preferential tax rate applies to this category, amounting to not more than half the tax rate for standard construction entities (except for very small businesses with turnover of up to ALL 2 million, for which the tax rate is the same).

Temporary Tax on Educational Infrastructure

A new temporary tax on educational infrastructure will affect all families, individuals, juridical persons, local or foreign, who live and conduct economic activity within the territory of the municipality of Tirana. The level and respective brackets of the tax denominated in ALL/year are as follows:

	Category	Small Business	Big Business	VIP Business
1	Families	1,800		
2	Businesses (see below)			
2.1	Retail	4,000	15,000	22,000
2.2	Wholesale	9,000	27,000	37,000
2.3	Production Unit	9,000	27,000	37,000
2.4	Construction Entity	9,000	27,000	37,000
2.5	Service unit	4,000	15,000	32,000
2.6	Association, foundation, public entity, NGO	5,000		
2.7	Liberal professions	4,000	15,000	18,000
2.8	Transport	4,000	11,000	18,000

The tax obligation is yearly and payable for a seven-year period. For families, the tax obligation is to be paid in 12 equal monthly instalments of ALL 150. Special social categories are exempt from paying this tax, subject to proof of their status. This obligation will be included in the water utility invoice. The deadline for the payment of this tax is 20 April of each year for the previous year's tax obligations.

Tax Rates Directly Adopted from the Law on the Local Tax System

The tax rates for the following local taxes have been adopted directly from Law No. 142/2015, which amended Law No. 9632 "On the Local Taxation System".

- Tax on Land (The new tax was directly adopted from the legislation)
- Tax on Hotel Accommodation (Municipal Councils are no longer allowed to alter this tax rate)
- Billboard Tax

For further details regarding these changes, please refer to our February 2016 issue.

Extension of Payment Deadline for Municipal Taxes

The Tirana Municipal Council has decided to extend the payment deadline for all municipal taxes due on 20 April 2016 to 30 May 2016, only for the year 2016.

[Source: Decision No. 59 dated 30 December 2015, issued by the Tirana Municipal Council; Decision No. 8 dated 11 March 2016, issued by the Tirana Municipal Council.]

Double Tax Treaty

Several amendments and additions have been applied to the double tax treaty (DTT) between the Republic of Albania and the Swiss Confederation. The Swiss National Council had already ratified, on 8 March 2016, the protocol of 12 November 1999. Although the new DTT provisions will become effective on

20 April 2016, most of its effects will come into force only as of 1 January 2017.

The new amendments affect the articles of the DTT on taxes covered, general definitions, residence, interest, royalties, non-discrimination and mutual agreement procedure, and contain an additional article on exchange of information. Most of the changes will not apply retroactively to transactions pre-dating the new amendments' entry into force. Some of the most important changes are:

- Arbitration: The introduction of an arbitration clause to ensure that double taxation is avoided in cases where the competent authorities are unable to reach an agreement within three years.
- Future developments clause: With regard to royalties, if in future Albania enters into a DTT with a country in the European Union or European Economic Area with a reduced royalty tax rate lower than the 5% stipulated in the DTT with Switzerland, the lower tax rate will immediately and automatically become applicable to the DTT between Switzerland and Albania.

[Source: Law No. 26/2016 dated 10 March 2016, issued by the Council of Ministers, Official Gazette No. 52 published on 5 April 2016.]

Airport Tariffs

A new instruction has been approved “On the rules for determining airport tariffs” which defines the common rules for setting airport tariffs for airports located in the territory of the Republic of Albania. The instruction is mandatory for every airport open to commercial traffic with annual traffic exceeding 5 million passengers. If no airport fulfils this condition, the instruction will be applicable for the airport with the largest volume of passenger traffic in Albania.

The main provisions of the instruction cover the obligation of the entities subject to its rules to: consult the Albanian aviation authority before setting its airport tariffs, apply for permission before performing any infrastructure work and maintain a sufficient level service quality.

[Source: Instruction No. 1362 dated 16 March 2016, issued by the Minister of Transport and Infrastructure, Official Gazette No. 52 published on 5 April 2016.]

Business Registration Procedures

A new institution named the National Business Centre became functional on 1 April 2016. The National Business Centre incorporates the functions of both the National Registration Centre and the National Licensing Centre. The new institution's charter came into force on 15 March 2016 and its services can be accessed through the web address www.qkb.gov.al.

[Sources: Law No. 131/2015 dated 26 November 2015, issued by the Council of Ministers, Official Gazette No. 215 published on 14 December 2015; Decision No. 179 dated 9 March 2016, issued by the Council of Ministers, Official Gazette No. 39 published on 15 March 2016.]

Law on National Taxes

The requirement for regional tax directorates to check whether the obligations for the tax on used auto-vehicles have been paid by a taxpayer before issuing the attestation “On the payment of tax obligations” has been abolished. The change became effective on 25 April 2016.

[Sources: Instruction No. 6 dated 20 April 2016, issued by the Council of Ministers, Official Gazette No. 70 published on 25 April 2016.]

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