

Tax Alert

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National Taxes

Several additions and amendments have been made to Law No. 9975, dated 28 July 2008, "On National Taxes" as amended. These include:

- Reduction of the coefficient applied on the mineral royalty of metallic ore contained in mineral sub-products from 2/3 (two thirds) to 1/2 (one half), as well as an additional requirement that the price used to calculate the mineral royalty for metallic ores must not be lower than export prices for unprocessed minerals;
- Reduction of the mineral royalty rate on pyrobitumen from 2,371 ALL/ton to 186 ALL/ton;
- Application of circulation and carbon taxes on the gasoil and gasoline contained in biofuels, except for exports;
- Reduction of the minimum threshold for an automobile to be categorised as a luxury car from ALL 7 million to ALL 5 million;
- Reduction of the tax on plastic packaging from 50 ALL/kg to 1 ALL/kg for both domestically produced and domestically recycled packages.

The amendments to the law "On National Taxes" came into effect on 1 January 2017.

[Source: Law No. 127/2016, dated 15 December 2016, Official Gazette No. 250, published on 27 December 2016.]

Excise

Several additions and amendments have been made to Law No. 61/2012, dated 24 May 2012, “On Excise in the Republic of Albania”, as amended.

The most important changes are:

- Application of excise duty on Liquefied Petroleum Gas (LPG) at the rate of **8 ALL/litre**; only when it is used as fuel for motor vehicles.
- Fiscal stamps on beer, wine, alcohol and alcoholic beverages may be applied not only in fiscal warehouses but also in custom warehouses, as per the provisions of Customs Code, resulting in cost savings for businesses, greater access to regional markets and speeding up the movement of goods. This amendment does not apply to fiscal stamps on tobacco and its by-products.
- Cancellation of the expected increase in excise duty on cigarettes in 2017 and a new calendar schedule of excise duties that will be applicable for the following years, starting from 1 January 2018.
- In order to support domestic production, a temporary excise level at ALL 2,500/kg for tobacco manufactured domestically with tobacco leaves cultivated in Albania.
- With regard to penalties, the new Law “On Excise” has a general clause/article for each type of violation such as avoidance of verification or payment of excise tax, smuggling of excise products, manipulation of equipment and signs, etc., making it easier for customs authorities to apply the excise law in practice. Several other minor changes to the penalties applicable include a removal or sometimes decrease of the minimum thresholds for penalties.

Changes in the excise duties on tobacco and its sub-products are as follows:

<i>Category</i>	<i>Previous</i>	<i>New</i>
Cigars, cheroots and cigarillos containing tobacco	- 2,500 ALL /kg	- 4,400 ALL /kg
Cigarettes containing tobacco	- 5,500/1,000 ALL /pcs; - From 1 January 2017: 6,500/1,000 ALL/pcs	- 5,500/1,000 ALL /pcs; - From 1 January 2018: 5,750/1,000 ALL/pcs; - From 1 January 2019: 6,000/1,000 ALL /pcs; - From 1 January 2020: 6,250/1,000 ALL/pcs; - From 1 January 2021: 6,500/1,000 ALL /pcs.
Cigars and cigarillos manufactured with tobacco substitutes	- 2,240 ALL /kg	- 4,400 ALL /kg
Other manufactured tobacco and	- 4,400 ALL /kg - From 1 January	- 4,400 ALL /kg

manufactured tobacco substitutes, homogenised or reconstituted tobacco, tobacco extracts and essences	2017: 5,800 ALL /kg	
Tobacco manufactured with tobacco leaves cultivated in Albania	- N/A	- 2500 ALL /kg

The amendments to the Law “On Excise” came into effect on 1 January 2017.

[Source: Law No.126/2016, dated 15 December 2016, Official Gazette No. 250, published on 27 December 2016.]

Customs Tariffs

The changes made to the Law No. 9981, dated 08 September 2008 “On approval of the customs tariff levels”, as amended, include the reduction of customs tariffs on some products.

Major changes are:

- Reduction of tariffs from 2%, 6%, 10% and 15% to 0% for raw materials used in toll manufacturing;
- Reduction of tariff from 2% to 0% for coke and semi-coke of coal.

These amendments came into effect on 1 January 2017.

[Source: Law No.128/2016, dated 15 December 2016, Official Gazette No. 250, published on 27 December 2016.]

Income Tax

Important amendments are performed to Law No. 8438 “On Income Tax” in order to align it with the recommendations of action 4 of the OECD’s Base Erosion and Profit Shifting (BEPS) Action Plan. The amendment to the legislation targets what is described as excessive net interest expense, which is defined as the excess resulting from the difference between interest expenses and interest revenues.

The legislation introduces a fixed ratio rule which restricts an entity’s tax deductions for interest expenses up to 30% of its tax-adjusted earnings before interest, taxes, depreciation and amortisation (EBITDA). Any interest expense which is not deducted in accordance with these requirements is carried forward to future tax periods, unless a transfer of over 50% of the shares or voting rights in a company has been made.

These changes do not apply to banks, non-banking lending financial institutions, insurance and leasing companies and will come into force on 1 January 2018.

Finally, the legislation also provides that expenses for extraordinary interventions and supports to commercial banks by the Bank of Albania will be considered tax deductible.

[Source: Law No.129/2016, dated 15 December 2016, Official Gazette No. 259, published on 6 January 2017.]

Law “On Bankruptcy”

The new Law No. 110/2016 “On Bankruptcy” was approved by the Albanian Parliament on 27 October 2016 and published on the Official Gazette No. 226 on 22 November 2016.

The main issues covered by the Law are detailed below:

- The Law provides extensive definitions and specifications of more than 30 terms used in the bankruptcy process;
- The types of legal entities subject to bankruptcy proceedings are expanded to include individuals as well as local administrative bodies;
- The competences and decision-making procedures of the courts are clarified and the court decisions and orders are made based only on consultation of acts, rather than a mandatory hearing session, making court interventions more rapid and flexible;
- The law provides clear definitions regarding the persons that will take supervisory roles in the bankruptcy process. The law defines three categories of administrators: the bankruptcy administrator, the temporary bankruptcy administrator and the supervising administrator. They have the same status and selection criteria but have specific roles, dependent upon the moment they become involved in the process;
- For the first time, the law introduces several provisions that determine the specific order of preference for the repayment of debt before and after redistribution;
- This law will be the only law that regulates bankruptcy procedures. Therefore, Article 104 “The initiation of the bankruptcy proceedings” of Law No. 9902, dated 19 May 2008 “On Tax Procedures on the Republic of Albania” as amended, will be repealed.

The law will come into force six months after being published in the Official Gazette, in May 2017.

[Source: Law No. 110/2016, dated 27 October 2016, Official Gazette No. 226, published on 22 November 2016.]