



Dear Reader,

I am pleased to send you our publication, *Newsflash*, which will inform you of the most recent and expected changes to tax and tax-related legislation in Albania.

This is one of the ways in which PricewaterhouseCoopers strives to add value to your business.

Yours faithfully,

Loreta Peçi
Senior Tax Manager

Entrepreneurs and commercial companies

Article 230 of Law No. 9901 "On Entrepreneurs and Commercial Companies", dated 14th April, 2008, decreed by the President of the Republic of Albania, provides for companies to bring their organization and operations into line with the provisions of this Law within 3 years from the date this Law came into force.

Companies that fail to comply with the above provision by the 21st May, 2011 will be considered as dissolved and consequently will be deregistered from the National Registration Centre upon completion of liquidation procedures.

Personal income tax

Based on Decision No. 94, dated 9th February 2011, issued by the Prime Minister and published in the Official Gazette No. 11, dated 18th February 2011, the following amendment to Law "On Income Tax" came into force with effect from 18th February 2011.

In compiling personal income tax declarations an individual taxpayer's annual medical expenses, incurred by and on behalf of the taxpayer himself, up to the amount of ALL 8,532, which are not covered by mandatory health insurance, are deductible expenses for personal income tax purposes. In instances where the personal income tax declaration is compiled by the head of the family, annual medical expenses, for him, his children or persons under care can be up to the amount of ALL 8,532 for each family member, but cannot exceed ALL 32,000 in total.

Fiscal amnesty

Based on Law No. 10,418, dated 21st April 2011, a tax amnesty and legalisation governing the procedure for non-declared capital has been issued.

The fiscal amnesty covers the following areas:

- 1) Non-declared capital
- 2) Tax and customs liabilities

1) Non-declared capital. With regard to non-declared capital, the beneficiaries from the fiscal amnesty are:

- **Albanian citizens** who voluntarily declare possession of capital in the form of money, inside or outside the territory of Albania, provided that such capital has not previously been declared, or for which they have declared an amount lower than the amount that should have been declared.
- **Registered physical persons** who voluntarily declare possession of monetary capital, inside or outside the territory of Albania, provided that such capital has not previously been declared, or for which they have declared an amount lower than the amount that should have been declared.

To benefit from the fiscal amnesty, Albanian citizens and registered physical persons should complete an application form, submit it to a second level bank, and open a bank account there to transfer the amount of capital. The bank will withhold 3% withholding tax on the total amount so declared and remit it to the tax authorities.

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- **Registered legal entities** established in the Republic of Albania are allowed to **revalue movable or immovable** property within 31 December 2011 and to recognise the revaluated amount for fiscal purposes. Upon declaration, entities will become liable to pay:
 - i) 3% on the positive revaluation difference resulting from the revaluation of immovable property,
 - ii) 5% on the positive revaluation difference resulting from the revaluation of machinery and equipment.

2) Tax and customs liabilities. With regard to tax and customs liabilities the beneficiaries from the fiscal amnesty are:

- All tax liabilities of **physical persons subject to local tax on small business**, which were due up to the 31st December 2010, but are unpaid, are forgiven.
- All unpaid tax liabilities of **Albanian citizens** up to 31st December 2010 are forgiven.
- All unpaid tax liabilities of **taxpayers registered for VAT purposes** will be forgiven provided the tax liability is registered in the tax administration register not later than 31st December 2008. For taxpayers of this category tax liabilities registered between 1st January 2009 and 31st December 2009, will be forgiven, if 30% of the principal of the tax liability is paid before 31st December 2011. If the tax liability is registered between 1st January 2010 and 31st December 2010, the liability will be forgiven if 50% of the principal of the tax liability is paid before 31st December 2011. Interest on late payments and penalties for social and health contribution liabilities related to the periods before 31st December 2010 will be forgiven.
- Unpaid liabilities for social and health contributions of the **self-employed** will be forgiven provided that they relate to the periods before 31 December 2008. If unpaid social and health contributions relate to the period from 1st January 2009 to 31st December 2010 they will be forgiven provided that all social and health contributions related to the year 2011 are declared and paid up to 31st December 2011.
- **Taxpayers** who have declared lower tax liabilities than the true amount of the tax liability for fiscal periods up to 31st December 2010, have the right to declare the true amount of the tax liability within 31 December 2011, before they become subject to an eventual tax audit from the tax administration. If a declaration of the true amount of the tax liability is made, the taxpayer will only be liable to pay 50% of the amount declared. Taxpayers will not benefit from this provision in cases where by the means of a tax audit the tax authorities assess a greater amount of the tax liability.

In cases where the taxpayer has filed a reimbursement request to the tax authorities or result in a credit position, they will benefit from the tax amnesty only after the taxpayer accepts first to offset the reimbursement or credit amount to the unpaid tax liability.

Taxpayers who have **unpaid customs liabilities** related to periods prior to 31st December 2008, evidenced and accounted for by the custom authorities not later than 31 December 2010, will be forgiven their customs liability and the related interests and penalties. Taxpayers who have unpaid customs liabilities related to the year 2009, evidenced and accounted for by the customs authorities not later than the date this law enters in force, will be forgiven the interests and penalties related to that liability, provided the taxpayer pays 50% of the principal of the custom liability. If taxpayers pay all the customs liabilities related to the year 2010 within the period this law is in force, they will be forgiven the related interest for late payment and penalties.

The above are based on the law provisions only. In the following period, the Ministry of Finance will issue an Instruction for the implementation of the above provisions which will provide more details to the taxpayers.

Double Tax Treaty

Based on Law 10 402, dated 24 March 2011, ratified by the President of the Albanian Republic and published in the Official Gazette No. 42, dated 22 April 2011, a Double Tax Treaty for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income has been signed between the Republic of Albania and the Republic of Singapore.

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For further details please visit our website www.pwc.com/al, or contact:

Loreta Peçi, Senior Tax Manager

+355 4 2 242 254

loreta.peci@al.pwc.com