

Tax Alert

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VAT Reimbursement Procedures

The Ministry of Finance has issued new procedures for requesting and approving VAT reimbursements, by amending item 20 of Instruction No. 17 dated 13 May 2008, "On value added tax", effective as of 1 January 2014.

Based on these procedures, VAT reimbursement requests have to specify the following information:

- Taxable person's name and fiscal number;
- Legal representative's name;
- Office address;
- Taxable person's bank details;
- A brief description of the taxable person's activity;
- The reasons behind the VAT credit position;
- The period during which the taxable person has been in a VAT credit position;
- Remarks on whether this is the first request or not;
- Remarks on whether the taxable person requesting the VAT reimbursement is considered an exporter or not.

After receipt of the VAT reimbursement request, the tax authorities start the verification process of the above information and check, by tax inspection, the taxpayer's VAT credit position. As indicated in Issue 1 of the Tax Alert, the deadlines for the approval, or not, of VAT reimbursement requests from exporters and other taxable persons are 30 and 60 days, respectively.

[Source: Instruction No. 6 dated 27 February 2014, issued by the Ministry of Finance, Official Gazette No. 27 published on 10 March 2014.]

Exporters for VAT reimbursement purposes

As of 21 April 2014, the following conditions have to be fulfilled for taxable persons to be considered as exporters for VAT reimbursement purposes:

1. The taxable person has to export in accordance with articles 181 and 182 of Law 8449 dated 27 January 1999, "On Customs Code";
2. The value of all exports made during the fiscal periods for which VAT reimbursement is requested have to be more than 60% of all sales, including exports;
3. The total VAT credit has to exceed ALL 400,000.

The deadline for tax authority approval, or not, of VAT reimbursement requests for all taxable persons which fulfil the above criteria is 30 days.

In addition, exporters which also fulfil the following conditions will be considered risk-free and, as such, their VAT reimbursement requests will be approved within 30 days without the need for undergoing a tax inspection by the tax authorities:

1. All sales made during the fiscal periods for which VAT reimbursement is requested are 100% exports;
2. The taxable person has been exporting for more than two years;
3. The taxable person submits the custom declaration on exports with the request;
4. The exporter has paid all social and health contributions obligations.

[Source: Instruction No. 202 dated 9 April 2014, issued by the Council of Ministers, Official Gazette No. 54 published on 21 April 2014.]

VAT on Medicines

As noted in Issue 1 of the Tax Alert, supplies of medicines and health services by public and / or private health institutions are exempted from VAT as of 1 April 2014. For all medicines imported into or produced in Albania prior to that date, with a VAT rate of 10%, and which have an inventory balance as at 31 March 2014, however, the applicable VAT rate on sale is 0%.

Throughout April 2014, all legal persons, importers, producers or resellers of medicines have to declare the inventory balance of medicines as at 31 March 2014 at their registered tax offices.

[Source: Instruction No. 6/2 dated 3 April 2014, issued by the Ministry of Finance, Official Gazette No. 44 published on 7 April 2014.]

VAT on import of machinery and equipment

As of 21 April 2014, the VAT obligation resulting at the Customs Administration from the deferral scheme on the payment of VAT on imported machinery and equipment can no longer be settled with VAT credit eligible for reimbursement from the Regional Tax Directorate.

Previously, if some conditions were fulfilled for the payment of deferred VAT on imported machinery and equipment, the taxpayer could request the Regional Tax Directorate to transfer the reimbursement of the VAT credit to the Customs Administration.

[Source: Decision No. 203 dated 9 April 2014, issued by the Council of Ministers, Official Gazette No. 54 published on 21 April 2014.]



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