

Issue 06/13

To keep you up-to-date with the latest economic and financial developments, this bulletin prepared by our Tax Team provides information that may affect the operation of your business in Albania.

2014 Fiscal Package

On 28th of December 2013 the Parliament put an end to the intense debates on the 2014 fiscal package by adopting the laws introducing the said package. The new laws are now published in the Official Gazette no. 203, dated 30.12.2013.

We present below highlights of the new provisions.

Tax Procedures

Law no. 179/2013 introduces a significant number of amendments to Tax Procedures Law (9920/2008) to enter into force on 1st of January 2014. The most important amendments consist of the following:

- Bank guarantees for the amount of tax principal and interests may now be submitted as an alternative to payment of these obligations, before the appeal against them is lodged with the Tax Appeal Directorate.
- VAT credit shall be reimbursed within 60 days from the submission of the request (instead of 30 days that used to apply before the amendment).
- Sale and purchase transactions in cash shall be now limited to the amount of Leke 150,000 (any transaction in cash above this limit is prohibited).

- Observations against findings of an audit report shall be submitted within 15 days after the receipt of the report (instead of 5 days).
- Correction by the taxpayer of the initial tax declaration shall no longer be subject to penalties (only interest for late payment shall apply).

National Taxes

The amendments to the National Taxes Law presented by Law no. 178/2013, effective from 1st of January 2014, include:

- The packaging tax shall apply to multi-use packages of glass and plastic (not only to single use packaging as set forth before). A new definition of packaging and a list of exemptions from the packaging tax are now introduced.
- The circulation tax on fuel and gasoil shall be Leke 17 per liter (which represents an increase compared to Leke 7 per liter as previously set forth in the law).

- Taxpayers, subject to the royalty tax, shall perform the declaration and payment of the royalty tax by the 15th day of the following month (the form of the declaration shall be published by the Ministry of Finance).

Income Tax

The following are counted among the novelties presented by the new law no. 177/2013 amending Income Tax Law (8438/1998), in force as of 1st of January 2014:

- The profit tax rate shall increase to 15%.
- Provisions created by banks shall be recognized for tax purposes provided that they are in pursuance with the IFRS and are not challenged by the external auditors. The restriction that the provisions should be not higher than the limits set forth by the Central Bank shall no longer apply.
- Small businesses (i.e. having an annual turnover less than Leke 8 million) shall no longer be subject to personal income tax. They will be taxed according to the Local Taxes Law.
- Progressive tax rates for income deriving from employment as presented in the Table no.1 below shall apply.

Table no 1 - Personal income tax for income deriving from employment

Monthly taxable income	Rate	
Over (Leke)	Up to (Leke)	
0	30,000	nil
30,001	130,000	13% over the amount of Leke 30,000
130,001	and above	13,000 Leke + 23% over the amount of Leke 130,000

Value Added Tax

Changes in the VAT legislation introduced by Law no. 182/2013 consist of the following:

- Starting from 1st of April 2014, the supply of medicines and health services provided by public or private institutions shall be exempted from VAT (instead of the reduced rate of 10%).
- The VAT exemption in the hydrocarbons sector shall apply only to the supply of services and import of goods and services during the exploration phase (previously the exemption was granted for both exploration and development phases).
- The payment of reimbursable VAT shall be performed from the State Treasury Department, according to the rules to be adopted by the Minister of Finance (previously regional tax directorates were entitled to perform the payments).

Fiscal System in the Hydrocarbons Sector

Pursuant to Law no. 183/2013, income of foreign individuals realized from hydrocarbon operations shall no longer be exempted from personal income tax (effective from 1st of January 2014).

Excise Tax

Starting from 1st of April 2014, the petroleum by-products imported for the needs of entities engaged in oil exploration and exploitation shall no longer be subject to the exemption from excise tax. Along with this novelty, Law no. 180/2013 introduces effective from 1 January 2014, the following:

- An increase of the excise tax on beer produced locally, on alcoholic beverages and tobacco products (the latest shall be subject to a progressive increase for the next four years).
- Energy drinks and petroleum jelly shall become subject to excise tax, respectively at the amount of Leke 50 per liter and Leke 40 per kg.
- In case of shortage or excess quantities of crude oil, the excise tax on crude oil shall be deemed in the amount of Leke 25 per kg.

Mandatory Health Insurance Contributions

Starting from 1st of January 2014, the basis for the calculation of the mandatory health insurance contributions shall change as follows:

- For employees, the basis shall be the gross salary of the insured person (the rates shall remain the same i.e. 1.7% for the employees and 1.7% for the employer); the maximum salary set forth for purposes of calculation of the social contributions shall no longer serve as a limit.
- For self-employees and persons paying voluntary contributions, the basis shall be the double of the minimum salary set forth for purposes of calculation of the social contributions (at the rate of 3.4%).

The above changes have been introduced with Law no. 184/2013.

Local Tax System

The new law no. 181/2013 provides for the following changes to the local tax system:

- The simplified profit tax on small businesses is reintroduced as part of the local tax system. The tax rate is set to 7.5% of the profit for the businesses having an annual turnover from Leke 2 to 8 million; while for businesses with a turnover less than Leke 2 million, the tax amounts to Leke 25,000 per year. The annual declaration shall be filed on the 10th of February of next year.
- The tax on building is increased for buildings used for business activity and for touristic villages.

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Boga & Associates

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