

Albania | Issue 01/09

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

The Albanian Parliament has recently approved new laws amending some provisions of Law “On Social Insurance in the Republic of Albania”, Law “On Local Taxes”, Law “On Excise Tax” and Law “On Income Tax”. These new laws will enter into force 15 days after their publication in the Official Gazette. To date, none of these amendments have been published in the Official Gazette.

Here below you will find brief information on the amendments.

▪ **Social Security Contributions**

According to Law no. 10070, dated 05.02.2009 “On Some Amendments to Law no. 7703, dated 11.05.1993 “On Social Insurance in the Republic of Albania”, the rate of monthly social contributions payable by the employer is reduced from **20** to **15** percent. To be noted that the employer will continue to pay health insurance contribution at the rate of 1.7 percent. The Law no. 10070 provides for no amendment to the rate of contributions payable by the employee.

The amendments will be effective starting from 1st of May 2009.

The minimum and maximum salary, over which social and health contributions are calculated, remain unchanged i.e. Leke 14,830 and Leke 74,150, respectively.

▪ **Local Taxes**

Law no. 10073, dated 09.02.2009 amends Law no. 9632, dated 30.10.2006 “On Local Taxes” with regard to the tax on infrastructure from new constructions. The tax on infrastructure was previously levied at a rate varying from 1 to 3 percent of the investment value, irrespective of the nature of the new construction (exceptionally, the tax rate for Tirana district was 2 up to 4 percent). The exact rate was fixed upon decision of each local municipality/commune council. The new amendment differentiates the tax rate depending on the nature of the new construction. According to the new law, for infrastructure projects, construction of national roads, ports, airports, tunnels, dams, construction of infrastructure in energy, including equipments and machineries for these projects, the infrastructure tax is 0,1 percent of the investment value, but not less than the cost of rehabilitation of the damaged infrastructure. The infrastructure tax will remain unchanged for other projects of construction.

The urban fee at 1 percent rate set forth in Law no. 8405, dated 17.09.1998 “On Urban Planning” is still due on new constructions.

▪ Excise Tax

Law no. 10067, dated 02.02.2009 “On Some Amendments to Law no. 8976, dated 12.12.2002 “On Excise Tax” provides for the following changes:

- excise tax for the gas oil (heavy oils) with customs code from 27101931 up to 27101949 is set to a fix amount of 37 Leke/liter. Previously, the excise tax on these products was levied at the rate of 75 percent of the customs value, but not less than Leke 27 and not more than Leke 37 per liter;
- excise tax for incandescent lamps is now set at 200 percent of the custom value; hence two times the previous one i.e. 100 percent.

▪ Income tax

Tax on dividends

Law no. 10072, dated 09.02.2009 “On Some Amendments to Law no. 8438, dated 28.12.1998 “On Income Tax” provides that dividends distributed by a resident company (affiliate) to another resident company (shareholder) are not included in the taxable income of the latest.

Previously, dividends received by a resident company (shareholder) were tax exempt, only in case the recipient held more than 25 percent of the share capital of the company distributing the dividend.

Inventory measurement

According to the new Law no. 10072 any subsequent measurement of the inventory after the initial recognition will be considered as non-deductible/ non-taxable for profit tax purposes. Such rule is also applicable for the financial and intangible assets.

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