

Albania | Issue 02/10

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.

Adoption of new sub-legal acts implementing VAT and Tax Procedures Law provisions

On 03.02.2010 the Council of Ministers has adopted the Decision no. 55 “On the Mandatory Filing of the Tax Declarations and Other Tax Documents Through Electronic Form” (the “Decision”).

Upon Instruction no. 2, dated 28.01.2010 (the “Instruction”) the Minister of Finance amended the Instruction no. 17, dated 13.05.2008 “On VAT”.

Both the above sub-legal acts are published in the Official Gazette dated 17.02.2010, but they are effective from the date of their approval.

Highlights of most important amendments are set out below:

Electronic filing of tax declarations and other tax documents

According to the Decision, all tax declarations and tax documents shall be filed with the tax authorities, electronically, only. Tax declarations consist of declaration and payment forms of VAT, personal income tax, profit tax and social and health security contributions. Tax documents consist of VAT purchase and sale ledgers.

The electronic filing of tax declarations and documents is mandatory from:

- (i) 1 January 2010 for persons registered near the Large Taxpayers Unit;
- (ii) 1 March 2010 for persons registered for VAT and profit tax near the regional tax offices;
- (iii) 1 July 2010 for persons registered for VAT and tax of small businesses.

Pursuant to the Instruction, monthly VAT purchase and sale ledgers, which layout as approved by the Minister of Finance is indicated in Annex 1 here attached, shall be filed electronically within the 5th day of the following month.

VAT application to the supply of lease of buildings

Under the Instruction, lease of buildings supplied to persons performing VAT exempt supplies may be subject to VAT if the parties have explicitly agreed so in their contract. In these cases, the lessor is required to file with the tax authorities the lease contract, in addition to the written notification. In absence of such filing, the lease shall not be treated as VAT taxable supply.

Determination and Publication of the Retail Price of Cigarettes

The Instruction states that the maximum price of retail sale of cigarettes is determined by the principal/main suppliers, who shall also declare such price.

In addition, these suppliers shall (i) submit a declaration on change of retail price of cigarettes to the General Tax Directorate and regional tax office where they are registered, no later than 10 days before application of the new maximum retail price and (ii) publish such declaration in at least 2 national daily newspapers no later than 5 days before application of the new price.

Sale of cigarettes at a price higher than the maximum price declared as per the above rules is prohibited.

Additional Rules on Deduction of VAT Paid on Purchase of Fuel

According to the Instruction provisions, deduction of the VAT paid for purchase of fuel for conducting activity in the field of construction, transport and trade is allowed up to the level determined by the Minister of Finance (as a percentage of fuel purchases towards the annual turnover at the rates indicated in Annex 2).

Besides the above, the taxpayer seeking to benefit from the VAT deduction of fuel purchases must meet the requirements under the current Instruction of Minister of Finance no. 17 “On VAT”, as amended.

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Annex 2

Chart of levels of fuel consumption and activities

<i>Levels of consumption (Percentages of volume of fuel purchases) – Maximum levels</i>	<i>Activities</i>
25%	Production of inert materials
20%	Construction of roads– pavement
6%	Construction of habitations and various objects
14%	Production of concrete
18%	Transport of passengers
15%	Transport of goods
3%	Trade
2%	Other activities not specifically listed

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