

TaxAlert
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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.

Amendments to Albanian fiscal legislation

- **Corporate income tax rate will be reduced to 10%**
- **New tax rates on personal income deriving from employment**
- **Introduction of new categories of non-deductible expenses**
- **New level of local tax on buildings located on approved tourist villages**
- **New ceiling level for purchases *in cash***
- **Increase of excise tax rates for several products**

For details explore the following text.

Recent amendments to the existing fiscal laws are approved from the Council of Ministers. These amendments will further pass to the Parliament for examination and approval.

Income Tax

New amendments to Law no. 8438, dated 28.12.1998 "On Income Tax"

Corporate Income Tax

Starting from 1st of January 2008, the corporate income tax rate will be reduced from 20% to 10%.

Personal income tax

Gross salaries and compensations deriving from employment relationship will be taxed as shown in Table 1 in the Annex.

Non-deductible expenses

New amendments provide for some other expenses included in the list of non-deductible expenses as follows:

- Advertisement and representation expenses exceeding 1% of the annual turnover and expenses for reception exceeding 0,3% of the annual turnover.
- Sponsorship expenses exceeding 3% of profit before tax and sponsorship expenses for press publishers exceeding 5% of the profit before tax.

- Expenses for salaries and other compensations deriving from employment relationship, paid to employees, including administrators, in case the payment is not performed through banking system.

- Expenses resulting from transactions performed in cash for amounts exceeding Lek 300,000.

- Expenses of construction companies for services related to construction, assembly and other similar works in case the services are invoiced by small business entities.

Interest paid from entities engaged in insurance and finance lease activity is tax deductible, although it relates to loans exceeding on average four times the amount of net assets value during the taxable period.

Local Taxes

New amendments to Law no. 9632, dated 30.10.2006 "On Local Taxes"

According to the amendments, a new category of the tax on buildings is introduced. Owners or users of the buildings located within the territories approved as tourist villages shall pay the tax on the building, in the amount specified in Table 2 in the Annex.

Tax Procedures

New amendments to Law no. 8560, dated 22.12.1999 "On Tax Procedures in the Republic of Albania"

New ceiling level for purchases in cash

The new Law states that the value of purchases of goods and services performed in cash will remain Lek 300,000 for each purchase, but payments *in cash* should not exceed a ceiling of 10% of the total of purchases made during the taxable period.

The purchases above this limit should be performed through banking system.

Excise Tax

New provisions to Law no. 8976, dated 12.12.2002 "On Excise Tax"

The excise tax rates for several alcoholic drinks and oil products have been increased. Please refer to Table 3 in the Annex for the new rates.

Entry into force

All the above amendments will enter in force 15 days after their publication on the Official Gazette, except for reduction of corporate income tax rate, which will be effective on 1st of January 2008.

ANNEX

Table 1: Tax Rates on Income Deriving from Employment

Threshold (monthly compensation in Lek)		Income tax
0	to 10,000	0%
10,001	30,000	10% of the amount over 10,000
30,001	and over	10% of the amount over 0

Table 2: Indicative Levels of new Tax on buildings located in tourist villages

	Municipalities		
	Zone 1	Zone 2	Zone 3
Minimum category for buildings	Tirana Durrës	Vlore Fier Sarande Pogradec Korçe Elbasan Berat Lushnje Gjirokaster Shkoder Kavaje Lezhë	All other municipalities
Lek/m² per year			
III. Buildings owned or in use in territories approved as tourist villages.	200	200	200

Table 3: New excise tax rates

Code	Description	Excise Tax	
		Was	Becomes
III	BEER, WINE, ALCOHOL AND ALCOHOLIC DRINKS		
22 03	Beer from malto <ul style="list-style-type: none"> - From importers and producers with the quantity of less or equal to 200.000 hectoliter/year - From importers and producers with the quantity exceeding 200.000 hectoliter/year 	30 Lek/liter 30 Lek/liter	30 Lek/liter 40 Lek/liter
22 04	Wine and sparkling wines; champains; grape cider	20 Lek/liter	50 Lek/liter
22 05	Vermuth and other wines prepared from plants or aromatized substances.	20 Lek/liter	50 Lek/liter
22 08	Alcoholic drinks with the alcoholic over 12% alcohol.	150 Lek/liter	200 Lek/liter
	Alcoholic drinks till 12% alcohol.	50 Lek/liter	70 Lek/liter
V	OIL BY-PRODUCTS		
27 10 11 41 27 19 11 45 27 10 11 49	Light oils (benzene and benzol) Benzene and benzol without lead, with lead content not more than 0.013 g/lit <ul style="list-style-type: none"> - less than 95 octane - 95-98 octane - 98 octane or more 	33 Lek/liter	37 Lek/liter
27 10 11 51 27 10 11 59	Benzene with lead content more than 0.013 g/lit <ul style="list-style-type: none"> - less than 98 octane - 98 octane or more 	46 Lek/liter	50 Lek/liter
27 10 19 31 till 27 10 19 49	Heavy oils (gas oil)	75 % but not more then 33 Lek per liter and not less then 13 Lek per liter	75 % but not more then 37 Lek per liter and not less then 17 Lek per liter

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