

## TaxAlert

2007

### Issue 05/07

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**

- **Amendments to Albanian fiscal legislation aiming to establish consequent rules and provisions affected by Law “On National Registration Center” have been adopted by the Parliament.**
- **Credit of VAT paid on purchase of gasoil is subject to new requirements.**
- **Parliament approved the Law “On some Amendment to the Law no. 8560, dated 22.12.1999 “On Tax Procedures”, in relation with the new requirements to be met for fulfillment of the tax appeal procedures.**

The above mentioned amendments are published in the Official Gazette and have already entered into force.

For details explore the following text:

**Amendments to Albanian fiscal legislation aiming to harmonize fiscal law with provisions of new Law no. 9723, dated 03.05.2007 “On National Registration Center” have been adopted by the Parliament.**

*Amendments to Law no. 8438, dated 28.12.1998 “On Income Tax”, Law no. 8560, dated 22.12.1999 “On Tax Procedures”, Law no. 8977, dated 12.12.2002 “On Tax System in the Republic of Albania” and Law no. 9632, dated 30.10.2006 “On Local Taxes System” approved by the Parliament and published in the Official Gazette no. 63, dated 04.06.2007. These new provisions entered into force on 19.06.2007 and are effective from 1<sup>st</sup> September 2007.*

Starting from 1<sup>st</sup> September 2007, the registration of new legal entities and sole entrepreneurs will be governed by the rule of “one stop shop” (as per the provisions of the new Law no. 9723, dated 03.05.2007 “On National Registration Center”). The National Registration Center will perform the registration of business entities for commercial, tax, social insurance and labor purposes. This means that taxpayers, who will commence business activity, shall no longer be required to register separately with tax authorities, labor office and labor inspectorate.

With regard to deregistration of taxpayers from the tax authorities, from 1st September 2007, the National Registration Center is the authorized body to conduct all procedures of deregistration. This procedure does not differ from the legal procedure established under the current law provisions, except for the fact that in case of outstanding tax obligations, the deregistration is suspended until entire payment of these obligations.

The tax applicable for registration of sole entrepreneurs and legal persons with the Commercial Register is abolished. Law no. 9723, dated 03.05.2007 “On National Registration Center” provides that a tariff, which amount will be determined by the Council of Ministers, will apply for such purpose. To our best knowledge, no any sub-legal act is adopted so far by the Council of Ministers in such regard.

**Credit of VAT paid on purchases of gasoil is subject to new requirements.**

*Amendments to Instruction no. 3, dated 30.01.2006 “On the Value Added Tax” approved by the Minister of Finance and published in the Official Gazette no. 65, dated 08.06.2007. These amendments entered into force upon publication in the Official Gazette (i.e. 08.06.2007).*

The new Instruction of Minister of Finance no. 8, dated 05.06.2007 provides for the new rules and conditions to be met in order the VAT paid on purchases of gasoil be credited/deducted. The VAT credit of gasoil purchases is allowed upon obtaining of a written authorization issued by the General Tax Directorate. Such authorization is issued when the used gasoil (i) is necessary for conducting business activity and (ii) cover a considerable part of the expenses incurred by the taxpayer.

The procedures for obtaining the above authorization require filing with the General Tax Directorate of the respective request, submission of a certificate showing that the applicant is not subject to outstanding tax and social insurance obligations and supporting documentation indicating the necessary information to evaluate the tax situation of the taxpayer. Such information must show the average consume of the gasoil per month, the inventory of machineries and transportation vehicles, tax payment for the machineries and transportation means, payment of other tax obligations (VAT, profit tax) for the previous and current years when the request is submitted to the General Tax Directorate.

According to the new Instruction, the General Tax Directorate shall decide within 30 days from the date of receipt of the request whether to issue the authorization for crediting VAT paid for gasoil. The authorization should be officially delivered in one copy to the taxpayer and one copy to the relevant Tax Office where the taxpayer is registered.

**Parliament approved the Law “On Some Amendments to the Law no. 8560, dated 22.12.1999 “On Tax Procedures”, in relation with the new requirements to be met for fulfillment of the tax appeal procedures.**

The Parliament has approved the amendments to the Law “On Tax Procedures” in their initial status (i.e. before their submission to the President). Therefore, the new amendments introduce the requirements for payment of the entire amount of tax obligations resulting from tax audits and assessment notices, except for the respective penalties and interests, prior to filing of the tax administrative appeal. Additionally, the payment of the 15% of both penalties and interests imposed to the taxpayers are required to be paid before claiming their cancellation in the courts.

These new provisions entered into force on 04.07.2007.

For particular details on these amendments please refer to our Tax Alert 02/07 and 04/07.

The information contained in this Tax Alert is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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