

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

- **Following up of draft laws proposed by the Council of Ministers to amend the fiscal legislation, as indicated in our Tax Alert no. 03/2007. These amendments are adopted by the Parliament.**

For details explore the following text:

Here below we point out a brief presentation of the said amendments and their entry into force.

Income Tax

Amendments to Law no. 8438, dated 28.12.1998 "On Income Tax" approved by the Parliament and published in the Official Gazette no. 90, dated 21.07.2007.

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 of the Annex.

These new amendments enter into force 15 days after their publication in the Official Gazette (i.e. 05.08.2007).

Non-deductible expenses

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

- Representation and reception expenses exceeding 0,3% of the annual turnover [the Parliament has not adopted the proposal of the Council of Ministers regarding the deduction of advertisement and representation expenses up to 1% 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. However, the Council of Ministers may decide for exemptions from this rule.
- Expenses resulting from transactions performed in cash for amounts exceeding Lek 300,000 for each purchase and exceeding the ceiling of 10% of the total of purchases made during the taxable period.
- Expenses of construction companies for services related to construction, assembly and other similar works in case the services are invoiced by small business entities.

Additionally, the new Law provides that 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.

These new amendments enter into force 15 days after their publication in the Official Gazette (i.e. 05.08.2007).

Local Taxes

Amendments to Law no. 9632, dated 30.10.2006 "On Local Taxes" approved by the Parliament and published in the Official Gazette no. 90, dated 21.07.2007. These amendments enter into force 15 days after their publication in the Official Gazette (i.e. 05.08.2007).

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 of the Annex.

Tax Procedures

Amendments to Law no. 8560, dated 22.12.1999 "On Tax Procedures in the Republic of Albania" approved by the Parliament and published in the Official Gazette no. 90, dated 21.07.2007. These amendments enter into force 15 days after their publication in the Official Gazette (i.e. 05.08.2007).

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

Amendments to Law no. 8976, dated 12.12.2002 "On Excise Tax" approved by the Parliament and published in the Official Gazette no. 90, dated 21.07.2007. These amendments enter into force 15 days after their publication in the Official Gazette (i.e. 05.08.2007).

The new amendments establish the reimbursement of the excise tax of combustible materials used or consumed in the following circumstances:

- combustibles materials used for construction of the sources that produce electrical power with an installed power of not less than 5 MW per each source for the own necessities or sale purposes, in pursuance with the quantity, conditions and procedures provided by decision of the Council of Ministers;

- combustible materials consumed in the hot air oven, for the production of the industrial and agro-industrial products, and used for the technological necessities of the products' production in these sectors, in pursuance with the quantities of the final products purchased upon VAT invoice as well as pursuant to the conditions and procedures provided in the decision of the Council of Ministers.

Furthermore, the new law increases the excise tax rates for several alcoholic drinks and oil products. Please refer to Table 3 of the Annex for the new rates.

National Taxes

Amendments to Law no. 8977, dated 12.12.2002 "On System of Taxes in the Republic of Albania" approved by the Parliament and published in the Official Gazette no. 90, dated 21.07.2007. These amendments enter into force 15 days after their publication in the Official Gazette (i.e. 05.08.2007).

The new law provisions amend the tax for visa and tax for entering into Albanian territory from foreigners. The tax rate (for both tax for visa and entry tax) is based on the principle of reciprocity but no more than EUR 1, if the entry into Albanian territory is made through terrestrial and maritime border and no more than EUR 10 if the entry is through air border. The taxes will apply to the following categories of persons:

- Foreign tourists entering into the Albanian territory through tourist agencies;
- Foreign citizens that do not need a visa for entering in Albania (including tourists entering through tourist agencies).

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 <ul style="list-style-type: none"> - From importers and producers with the quantity of less or equal to 1.000 hectoliter/year - From importers and producers with the quantity exceeding 1.000 hectoliter/year 	20 Lek/liter 20 Lek/liter	20 Lek/liter 35 Lek/liter
22 05	Vermuth and other wines prepared from plants or aromatized substances. <ul style="list-style-type: none"> - From importers and producers with the quantity of less or equal to 300 hectoliter/year - From importers and producers with the quantity exceeding 300 hectoliter/year 	20 Lek/liter 20 Lek/liter	20 Lek/liter 35 Lek/liter
22 08	Alcoholic drinks with the alcoholic over 12% alcohol. <ul style="list-style-type: none"> - From importers and producers with the quantity of less or equal to 20.000 hectoliter/year - From importers and producers with the quantity exceeding 20.000 hectoliter/year 	150 Lek/liter 150 Lek/liter	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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