

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 Government and the Ministry of the Finance has recently released instructions and decisions to amend the existing fiscal legislation.

Value Added Tax (VAT)

New VAT deferred scheme introduced by Decision of Council of Ministers no. 559, dated 16.08.2006

Decision of Council of Ministers no. 559, dated 16.08.2006, which abolished the decision no. 49, dated 26.01.2001, establishes a new VAT deferred scheme applicable on import of machineries and equipments, (listed in the annex of the decision no 559).

The new scheme is applied for machineries and equipments (imported as own investment or for resale) to be used in any kind of business activity (instead, the old scheme was applied for own investment in production, construction and telecommunication fields, only).

As a general rule, payment of VAT is deferred up to six months from the import of machineries and equipments. Exceptionally, in case of import of machineries and equipments for resale, the payment of VAT to the customs authorities becomes due at the moment of the resale (i.e. no later than the month when the goods are sold).

The importer must register the value of the machineries and equipments as well as the respective VAT amount as “import under the VAT deferred scheme” in the VAT purchase ledger in the month when the VAT is paid to the customs authorities. The importer will declare and credit the VAT paid on import within the 14th day of the following month.

To be noted that in order to benefit from the new VAT deferred scheme, importers are required to submit to the customs authorities, a bank guarantee corresponding to the amount of VAT payable on import. Such guarantee is released from the bank upon submission of the proof of payment of the VAT amount, and confirmation of such payment from the customs authorities.

Tax Procedures

*Instruction no.7 dated 09.08.2006
“On Tax Procedures”*

The Tax Police duties

The new provisions of the Instruction establish that the Tax Police is the authorized body to perform down raid inspections in order to verify whether the employer has properly declared its employees. To this end, the Tax Police is entitled to request the following data:

- a) Information recorded by the employer in the “Employees Register” (as per the Decision of the Council of Ministers no. 594, dated 22.12.1997);
- b) Monthly payroll;
- c) Monthly declaration forms submitted to the tax authorities;

Should the employer have not declared the accurate number of its employees, the Tax Police officers may impose penalty amounting to Lek 10,000 for each non-declared employee.

The Tax Police must inform the relevant tax authorities department, which will assess the due social security contributions and personal income tax to be paid by the employer.

Social Security Contributions

*Instruction of Minister of Finance no. 8 dated 09.08.2006
“On Some Amendments to Instruction no.4 dated 30.01.2006 “On Collection of Social and Health Contributions”*

As we have previously informed, according to the decision no. 444 dated 21.06.2006, of Council of Ministers, the minimum monthly salary for purposes of calculation of social security contribution is Lek 13,140. Additionally, the Council of Ministers has decided that the minimum monthly salary applicable in Albania is Lek 14,000 (decision no. 245, dated 27.04.2006).

Due to eventual perplexity on application of the above provisions, the Minister of Finance has issued new instructions on the minimum salary to be used for calculation of social security contributions.

Particularly, the Instruction of Minister of Finance no. 8, dated 09.08.2006 states that:

- The salary of Lek 13,140 shall be considered as a minimum for calculation of social security contributions of self-employed individuals, only;

- The salary of Lek 14,000 (being the minimum salary) shall be considered for calculation of social security contributions of all other categories of employment.

The information contained in this TaxAlert 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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