

# Albanian Bulletin

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## Tax update

### New fiscal package for year 2007

The Albanian Parliament has adopted a series of amendments to the existing fiscal legislation as well as introduced new laws in the attempt to support and improve the commercial and business activity in the country. The following Laws have been amended or introduced as new:

- Law no. 9766 dated 09.07.2007 “On some changes in Law no. 8438 dated 28.12.1998 “On income tax”.
- Law no. 9765 dated 09.07.2007 “On some changes in Law no. 8976 dated 12.12.2002 “On excise taxes”.
- Law no. 9767 dated 09.07.2007 “On some changes in Law no. 8560 dated 22.12.1999 “On tax procedures in the Republic of Albania”.

The above amendments are published in the Official Gazette no. 90 dated 21 July 2007 and enter in force 15 days after the publishing date.

The purpose of this Bulletin is to summarize the above changes to tax legislation.

#### **Law no. 9766 dated 09.07.2007 “On income tax”**

##### *Personal income tax (payroll taxation)*

The personal income tax on the income from employment (salaries and bonuses) has changed to a flat rate, according to the following:

**Table 1**

The taxable income (on monthly basis)	Percentage	
Over (Lek)	Until (Lek)	
0	10,000	Exemption floor (minimum)
10,001 +	30,000	+ 10% of sum over 10,000 Lek
30,001+	On	+ 10% of sum over 0 Lek

*Non deductible expenses*

Additional non deductible expenses are added to the list as follows:

- representative expenses, exceeding the 0.3% of the annual turnover,
- sponsoring expenses which exceed 3% of the profit before taxes and 5% of the profit before taxes for the publishers,
- the salary expenses, bonuses and any other form of personal income, related to the work relations, paid to the employees, including administrators, which are not transferred through the banking system,
- expenses related to construction, installation and other works invoiced to the construction companies from the small business taxpayers,

*Tax on profit rate (Corporate tax)*

The tax on profit rate decreases from 20% to 10%, beginning from date 01 January 2008.

**Law no. 9765 dated 09.07.2007 “On excise taxes”**

The changes in excise duties on some goods are presented in the following table:

**SCHEDULE 1 – GOODS, SUBJECT TO EXCISE DUTY IN THE REPUBLIC OF ALBANIA**

CN Code	Description	Excise rate	
		<u>Was</u>	<u>Becomes</u>
<b>I</b>	<b><u>COFFEE</u></b>		
09 01 11 00 09 01 12 00	Coffee not roasted, decaffeinated or not	40 lek/kg	50 lek/kg
09 01 21 00 09 01 22 00	Coffee roasted, decaffeinated or not	80 lek/kg	100 lek/kg
09 01 90	Coffee husks and skins Coffee substitutes containing coffee	40 lek/kg	50 lek/kg
21 01 11 21 01 12	<i>Extracts, essences and coffee</i>	250 lek/kg	250 lek/kg

	<i>concentrates and beverages containing coffee</i>		
II	<b>FRUIT JUICES, WATER AND BEVERAGES</b>		
2009	<i>Fruit juices and vegetable juices, unfermented, not containing added spirits, whether or not containing sweetening matter</i>	2 lek/litre	2 lek/litre
22 02	Waters, incl. mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other non-alcoholic beverages (excluding fruit and vegetable juices of CN Code 2009)	2 lek/liter	2 lek/liter
III	<b><u>BEER, WINE, ALCOHOL AND ALCOHOLIC DRINKS</u></b>		
22 03	Beer made from malt: - In quantities less than 200,000 hectoliter/year - In quantities more than 200,000 hectoliter/year	30 lek/liter 30 lek/liter	30 lek/liter 40 lek/liter
22 04	Wine and aerated wines; champagne, grape must: - In quantities less than 1,000 hectoliter/year - In quantities more than 1,000 hectoliter/year	20 lek/liter 20 lek/liter	20 lek/liter 35 lek/liter
22 05	Vermouth and other wine of fresh grapes, flavored with plants or aromatic substances: - In quantities less than 300 hectoliter/year - In quantities more than 300 hectoliter/year	20 lek/liter 20 lek/liter	20 lek/liter 35 lek/liter
22 06	Other fermented beverages (Cider, pear cider, hydromel) and other fermented beverages; mixtures of fermented beverages and non-alcoholic beverages not elsewhere previously mentioned.	20 lek/litre	20 lek/litre
22 07 10 00	Un-denatured ethyl alcohol of an alcoholic strength by volume of 80% or above	200 lek/ litre	400 lek/liter

22 07 20 00	Ethyl alcohol and other spirits of any strength, denatured	0 lek /liter	0 lek /liter
22 08	Drinks with alcoholic strength to volume of a rate over 12% : - In quantities less than 20,000 hectoliter/year - In quantities more than 20,000 hectoliter/year  Drinks with alcoholic strength to volume of less than 12%	150 Lek/liter  150 Lek/liter	150 lek /liter  200 lek/ liter  70 Lek/liter
22 08 20 29	Raki	100 lek/liter	100 lek/liter
IV	<b>TOBACCO AND ITS BY-PRODUCTS</b>		
24 02 10 00	Cigars and cigarillos that contain tobacco	2 240 lek/kg	2 240 lek/kg
24 02 20	Cigarettes containing tobacco	40 lek/packet	40 lek/packet
24 02 90	Cigars and cigarillos containing tobacco substitutes	2240 lek/kg	2240 lek/kg
24 03	Other manufactured tobacco and tobacco substitutes, homogenized or reconstituted tobacco, tobacco extracts and tobacco essences	1500 lek/kg	1500 lek/kg
V	<b><u>OIL BY-PRODUCTS</u></b>		
27 10 11 41 27 19 11 45 27 10 11 49	Light oils (motor spirit and : Unleaded motor spirit (petrol), containing not more than 0.013 gr/liter - less than 95 octane - with 95 – 98 octane - with 98 octane and more	35 lek/liter	37 lek/liter
27 10 11 51 27 10 11 59	Leaded motor spir it, containing lead of above 0.013 gr/liter - motor spirit (petrol) less than 98 octane - motor spirit (petrol) of 98 octane and more	46 lek/liter	50 lek/liter
27 10 19 11-	Kerosene	20 lek/liter	20 lek/liter

27 10 19 29			
27 10 19 21	Jet fuel, kerosene type	0 lek/liter	0 lek/liter
27 10 19 31 - 27 10 19 69	Heavy oil (Gas oil), Fuel oils (solar, mazut)	75 % but not more than 33 lek/liter and not less than 13 lek/liter	75 % but not more than 37 lek/liter and not less than 17 lek/liter
27 10 19 71 – 27 10 19 99	Lubricating oils and other oils	40 lek/kg	40 lek/kg
27 13 11 00 27 13 12 00	Petroleum coke and other oils	1 lek/kg	1 lek/kg
27 13 20 00	Petroleum bitumen	5 lek/kg	5 lek/kg
27 13 90	Residues of petroleum oil and bituminous minerals	5 lek/kg	5 lek/kg
27 14 27 15	Bitumen and asphalt, natural; bituminous or oil shale and tar sands; asphaltites and asphaltic rocks	5 lek/kg	5 lek/kg
29 01 29 02	Non-cyclical and cyclical hydrocarbons including (ethylene, benzene, toluol, ksilol)	5 lek/kg	5 lek/kg
34 03 19 91 34 03 99 10	Preparates used to lubricate the machineries, equipment and means of transports		40 Lek/kg
VI	<b><i>COSMETIC ITEMS, PERFUMES AND TOILET WATERS</i></b>		
33 03 00 10 33 03 00 90 33 07 20 00	Perfume Toilet water Deodorants	60 percent 60 percent 60 percent	60 percent 60 percent 60 percent

**Law no. 9767 dated 09.07.2007 “On tax procedures in the Republic of Albania”**

*Cash transactions*

The taxpayers can make cash transactions up to 300,000 Lek, but the total amount of such

transactions cannot be higher than 10% of the total purchases done during the tax period.

### Other amendments 2007

#### **Law no. 9713 dated 16.04.2007 “On tax procedures in the Republic of Albania”**

##### *Payment of tax obligations during appeal procedure*

The taxpayers are obliged to pay the evaluated tax obligation (s) before they present their appeal, without the calculated interests and penalties related to that obligation.

Before they present their tax appeal at the court (third and final stage of appeal) they are obliged to pay 15% of any related penalties or interests. The court should conclude with a verdict not later than 60 days after the beginning of the procedure.

##### *Notification of the change of the seat*

Non declaration of the new address of the business activity to the tax authorities is considered an offence and is penalized as follows:

- a) by blocking the activity until the registration of the new seat of the business activity and obtaining a secondary certificate of tax registration. In case of transport this penalty is accompanied by taking the vehicle license,
- b) with sequestration of the goods of the business at the new seat, if the taxpayer continues the activity at the new seat even after the blocking measures as in point 1.

#### **Law no. 9712 dated 16.04.2007 “On VAT”**

##### *Exempted supplies*

The rental of buildings is an exempted supply, except when: i) buildings are rented for a period less than two months; ii) they are used as hotels or other holiday accommodation units.

#### **Instruction no. 3, dated 26.02.2007 “On VAT”**

##### *VAT reimbursement for exporters*

Exporters classified as such under the definition of the Customs Code, are eligible for reimbursement of their VAT receivable within 30 days from the presentation of their request for reimbursement to the tax authorities, upon condition that their accumulated VAT receivable amount is higher than 400,000 ALL.

In case of zero risk exporters the VAT receivable up to 400,000 ALL, is reimbursable immediately upon presentation of their written request to the tax authorities.

### **Instruction no. 3, dated 26.02.2007 “On VAT”**

#### *Crediting of VAT on fuel purchase*

The VAT on purchase of fuel (gas oil) can be deductible from VAT on sales, only by written authorization issued from the General Tax Directorate. Such authorization is given upon presentation from the taxpayer of facts that the gas oil used to carry on the business activity constitutes a significant part of its business expenses. The request addressed to the General Tax Directorate should be accompanied by a list of other documents.

### **Law no 9716 dated 16.04.2007 “On income tax”**

#### *Taxation of non residents*

Non resident individuals, who generate income from services supplied in the territory of the Republic of Albania, are subject of personal income tax at the rate of 10% on the gross income (entry in force from 1 July 2007).

#### *Taxation of the transfer of ownership right on immovable property*

The transfer of immovable property (land and buildings) is taxed at 10% on the capital gains realized from the transaction. This is not the case when the ownership right on the land is exchanged with the ownership right on the building built on the land

(entry in force from 1 January 2008).

#### *Deductible expense and recognizable income*

The value of the land made available from the landlord to the constructors of buildings destined for living, production, trade or service activities; based on the contract of exchange of land with building squares; is recognized as deductible expense

In view of the above, the investor is considered to have as income also the income corresponding to that part of the building surface given to the landlords based on the land-building exchange contracts entered into between constructors and landlords.

(entry in force from 1 January 2008).

### **Decision no. 351 dated 14.06.2007 “On the entrance, stay and treatment of foreigners in the Republic of Albania”**

#### *Entrance and duration of stay of non residents in Albania*

The foreigners who are entitled to enter in the Republic of Albania without entry visa, or who obtain the visa on the boarder, can stay in these conditions in Albania for 90 days during a period of 180 days.

In case they would like to stay longer than the above period they should apply for residence permit near the Ministry of Public Order in Albania.

**Decision no. 285 dated 04.05.2007 “On the monthly reference salaries in the private sector, for the calculation of social contribution and personal income tax, according to the nomenclature of the economic activity”**

*The reference salaries*

The above decision defines the reference (minimum) salaries on which personal income tax should be calculated from the taxpayers. The minimum and maximum salaries for social and health contribution purposes will remain unchanged (min. 14,000 ALL; max. 65,700 ALL).

The salaries are set based on the type of the business activity (trade, construction, services, transportation and telecommunication, hotels and restaurants, education, health, agricultural, extracting industry, etc) and on the position held within the company (four classifications of positions: administrator/general director, qualified employees, non qualified employees, technical-economic managerial personnel).

Such reference salaries are used from the tax authorities for reevaluation purposes, when they noticed that the salaries and the related payroll taxes declared from the taxpayer are not real and they are not similar to those used in the labor market.

The reevaluation rights granted to the tax authorities from the above are so vast, that in practice such salaries are applied upfront without taking into account the possibility of declaring lower salaries from the taxpayers.

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