

## **Annual individual declaration of income**

Instruction no. 16 dated 25 July 2012, defines the fiscal treatment of the contributions in money made from foreign and Albanian residents in the registered capital of the Albanian tax resident companies and the completion of the annual individual declaration of income.

In relation to the annual individual declaration of income, the above said Instruction, for the implementation of article 4 of law no. 10343 dated 28 October 2010 "On income tax", which amends article 13 of Law no. 8438 dated 28 December 1998 "On income tax", as amended; we advise you as follows:

### 1. Scope of the application of the law

Subject of the declaration are: (i) Albanian resident individuals for the income generated in Albania and abroad (ii) foreign non – individuals for the income generated in Albania in case they are Albanian tax residents and taking account of the double taxation treaties between Republic of Albania and the country they are resident, if applicable.

### 2. Obligation and deadline to declare

The obligation to complete the declaration arises when the individual generates taxable income equal to or higher than ALL 2,000,000 per year.

For the year 2011 the declaration should be completed and submitted near the tax authorities of the city where the individual is residing, within date 30 September 2012, whereas for the upcoming years, within date 30 April of the subsequent year for the previous year.

### 3. Particular cases of declaration

The individuals who generate an annual income equal to or lower than ALL 1,050,000, have the right to submit the declaration, despite the fact that they are under the declaration threshold of ALL 2 million, in case they want to benefit from the expenses deductible from their income, for the purpose of calculating and paying the personal income tax. The expenses allowed to be deductible only in this case, are the following:

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- Interest paid during the year on the loan taken for education, for the individual, his children or other individuals in his custody,
- Medical expenses, spent for the individual, his children or the other individuals in his custody, for the maximum amount of ALL 8,532 per year per each individual, but not higher than ALL 32,000 per family,
- Voluntary contributions in private pension funds and the voluntary contributions for life and health, disbursed from the individual himself.

#### 4. Income included in the declaration

The declaration includes:

- Salaries and/or other remuneration/bonuses received from work relationships,
- The profit generated from the activity of small business for the self employed individual,
- The gross income from dividend,
- The gross income from rent,
- The gross income from profit from the sale of immovable property owned by the declarer,
- Gross income from the bank interests,
- The net capital profit generated from the investment in titles,
- Gross income from gambling activities,
- Gross income from the intellectual property,
- Capital gain from gifted property,
- Gross income generated from sources outside the Republic of Albania,
- Any other income not mentioned above

For all the income generated as above, the individuals should keep the supporting justifying documentation which proves their nature and completeness, in case of a possible tax audit.

#### 5. Payment of tax

The declaration is filled in by including: the amounts of the income generated as mentioned in point 4 above, the payable personal income tax on the total of the declared income, the personal income tax already paid on the declared income during the previous year.

In case the difference between the PIT payable and the PIT paid is positive, then the individual should pay the difference in the account of the tax authorities within date 30 September 2012 for the year 2011, whereas in case the difference is negative the individual should submit a request near the tax authorities for the reimbursement of the tax paid in excess, within a period of 30 days from the date of submission of the declaration.

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6. Correction of the declaration

The declaration might be corrected two times in a row, within 3 (three) months period from the date of the submission of the declaration, without any penalties imposed.