

## Tax

---

### In this issue:

- **The New Customs Code - fully effective as of 01.06.2017**
- **VAT rate reduced to 6% for tourism accommodation services**
- **Amendments to the Instruction "On VAT"**



## Tax News May 2017

### **I. The New Customs Code - fully effective as of 01.06.2017**

The New Customs Code, which has been approved by Law no. 102/2014 and has been published in the Official Gazette [No. 134, dated, 22.08.2014](#), is now fully effective as of 01.06.2017.

As anticipated in our [Tax & Legal News December 2014](#), the New Customs Code has gradually entered into force: a few dispositions have been effective since 06.09.2014 (15 days from the publication in the Official Gazette), another few provisions have entered into force as of 01.01.2015, whereas the remaining majority of the dispositions are effective as of 01.06.2017.

We will highlight some of the most important changes brought by the New Customs Code in a Special Tax News.

### **II. VAT rate reduced to 6% for tourism accommodation services**

The amending Law no. 71/2017, published in the Official Gazette [no. 113, dated 22.05.2017](#) and entering into force on 05.06.2017, determines a reduced rate of 6% (compared to the standard rate of 20%) applicable on the supply of accommodation services in all accommodation facilities determined based on the legislation on tourism.

The Council of Ministers is expected to determine the conditions, criteria and

procedures for the application of this reduced rate.

In the meanwhile, the General Tax Directorate has [notified](#) in its official website that the relevant amendments to the VAT declaration will be reflected and be effective for the tax period of June 2017 (due for submission within 14.07.2017).

### III. Amendments to the Instruction "On VAT"

The Minister of Finance has approved some additions and amendments to the Instruction no. 6, dated 30.01.2015 "On VAT". They are published in the Official Gazette [no. 123, dated 26.05.2017](#) and entered into force on that same date.

The amending Instruction brings some amendments and reflects certain previous changes in other tax laws.

#### Novelties in the Instruction "On VAT":

- (i) New special scheme of VAT for telecommunication operators and intermediaries

Telecommunication operators may opt to apply the following new scheme for a period of not less than 12 consecutive months, by submitting with the respective regional tax directorate a prior written declaration along with the list of distributors/intermediaries.

Under this new scheme, operators shall invoice their immediate distributors/intermediaries by:

- Applying VAT on the total value (the end-customer price) of prepaid phone cards or telecommunication packages/codes (e.g. ALL 1,000 taxable value + ALL 200 VAT = ALL 1,200 in total); and
- Deducting the total amount of the commissions/fees applied by the entire chain of distributors/intermediaries up to the final sale to the end customer, without affecting the VAT charged as above (e.g. in the invoice above, deducting ALL 250 of cumulative commissions/fees with no effect in the VAT of ALL 200).

In this way, operators will immediately pay to the tax authorities the total value of VAT due on the products (in this example ALL 200).

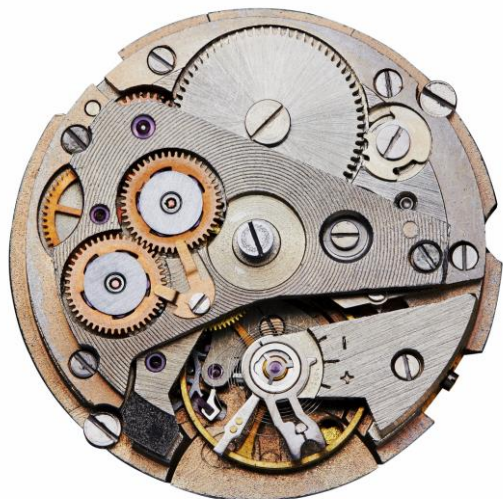
The immediate distributors/intermediaries (the ones invoiced by the operators) shall:

- Not credit the VAT on the purchase invoice received from the operators;
- Not charge any VAT on the sale invoice to the subsequent distributor/intermediary, but charge the total value (the end-customer price) as not subject to VAT (e.g. the total ALL 1,200); and
- Deduct the total amount of the commissions/fees applied by all subsequent distributors/intermediaries in the chain up to the final sale to the end customer (e.g. deduct ALL 200 of cumulative subsequent commissions/fees).

In this way, immediate distributors/intermediaries will be left with their own commission/fee (in this example ALL 50).

Each of the subsequent distributors/intermediaries along the chain of distribution up to the end customer shall:

- Charge the total value (the end-customer price) as not subject to VAT (e.g. the total ALL 1,200 as shown in the invoice issued by their previous distributors/intermediaries); and
- Deduct the total amount of the commissions/fees applied by the next distributors/intermediaries in the chain up to the final sale to the end customer, so that each of them is left with the respective commission/fee.



- (ii) The right to credit input VAT on gasoil

It has been specified that in order to credit VAT on the purchase of gasoil used for the purpose of an economic activity up to the respective industry rates/norms (as determined by the Instruction), a taxpayer has to justify with proper documentation the need for a certain quantity and quality of gasoil as well as the actual use of it.

- (iii) The reimbursement of VAT for representatives of NATO

Representatives of NATO in Albania, diplomatic missions, international organizations and their personnel have the right to obtain VAT reimbursement despite of the value of the purchase invoices (*previously the reimbursement of VAT was granted only to purchases with a value higher than ALL 10,000*).

**Amendments to the Instruction "On VAT" reflecting previous changes in other tax laws:**

- (i) There has been introduced a reference to the related provisions amended earlier in the Instruction "On tax procedures" regarding the procedure for approval of computer-generated invoices a reference (please refer to our [Tax News of January 2017](#));
- (ii) There has been introduced to the related provisions added earlier in the Decision of the Council of Ministers "On implementing provisions of the Law "On VAT"" (please refer to our [Tax News of January 2017](#)) regarding the right to exercise the option to treat the supply of buildings as a taxable supply a reference.

## Deloitte Contacts:

### **Olindo Shehu, CPA**

Partner | Tax & Legal Services

Deloitte Albania sh.p.k

Rr. "Elbasanit", Pallati prane Fakultetit Gjeologji Miniera

Tirana | Albania

Mob: +355 68 60 33 116

E-mail: [oshehu@deloitteCE.com](mailto:oshehu@deloitteCE.com)

### **Disclaimer:**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL" or "Deloitte Global"), its network of member firms, and their related entities (collectively, the "Deloitte Network"). DTTL and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see <http://www2.deloitte.com/al/about> information on your country site] for a more detailed description of DTTL and its member firms.

Deloitte provides audit, tax, consulting, financial advisory and legal services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 225,000 professionals are committed to making an impact that matters.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.