

## Tax News

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### **I. Introduction of the new risk-based method for selecting the taxpayer for tax audits**

The General Tax Directorate has launched a new platform for selecting the taxpayers that will undergo the procedures of a tax audit. The new method will be implemented by using a risk-based approach under the frame of the EU/OECD strategic model known as Compliance Risk Management Strategy (CRMS). This model consists of the following key pillars:

- a) A structured database with relevant information concerning all taxpayers;
- b) A group of rules used to calculate the risk level and identify any signs of tax evasion based on data analysis;
- c) A software programmed to generate risk-based rankings for taxpayers and to update accordingly the risk points for each tax liability.

The new approach is also expected to enhance the ability of the tax administration to pinpoint certain market segments deemed to be bearing the highest risk for tax evasion and non-compliance by interpreting in real-time the data and reports generated by the software.

For further information on this matter, please refer to the official announcement of the General Tax Directorate in this [link](#).

### **II. Amendments to Instruction no. 6, dated 30.01.2015 “On VAT”**

In light of the amendments brought by Law no. 90/2015, dated 23.07.2015, published in the Official Gazette no. 144, dated 07.08.2015, with regards to the procedures



and terms for the VAT reimbursement (please refer to our [August Tax News](#)), the Minister of Finance has issued an Instruction further clarifying the entire process by focusing to specific details for every category of taxpayers. These amendments reflect the establishment of the Tax Reimbursement Directorate within the organizational structure of the General Tax Directorate.

This Instruction presents detailed procedures, terms, documentation requirements and steps to be followed until the reimbursement of the input VAT credit for the following categories of requests:

- VAT reimbursement requests in the context of financial agreements ratified by the Albanian Parliament or grant agreements approved by the Council of Ministers;
- VAT reimbursement requests in the context of Agreements "On cooperation and development" between the Council of Ministers of Albania and the governments of Austria and Italy;
- VAT reimbursement requests of beneficiary contractors (local not-for-profit organizations) under the framework of IPA II;

The above amendments are effective upon their publication in the [Official Journal no. 156](#), dated 07.09.2015.

### **III. Amendments to Instruction no. 24, dated 02.09.2008 "On tax procedures in the Republic of Albania"**

Instruction no. 24, dated 02.09.2008 "On tax procedures in the Republic of Albania" has been subject of a number of amendments and additions. Such changes reflect past amendments to the Law no. 9920, dated 19.05.2008 "On tax procedures in the Republic of Albania" concerning the below matters:

#### **Electronic cash registers**

Article 55 is amended to emphasize that taxpayers which conduct their economic activity by entering into cash payment transactions, have the obligation to install the electronic cash register and issue fiscal coupons in order to register such payments.

#### **VAT reimbursement**

In line with the amendments to the Law no. 9920, dated 19.05.2008 "On tax procedures in the Republic of Albania" (please refer to our [August Tax News](#)), the Instruction now provides more details regarding the

procedures and the terms associated with the process of VAT reimbursement. It is noted that the taxable person, when filing the request for reimbursement, should also determine whether any portion of the tax credit will be used to offset outstanding tax liabilities (except for social security and health insurance contributions).

Further, the amendments provide that zero risk exporters (as per the definitions provided in the Implementing Provisions of the VAT Law) should not be subject of the risk analysis and their VAT credit will be reimbursed automatically. Whereas, taxpayers that conduct their activity under the inward processing regime or whose exports make up more than 60% of their turnover, will be reimbursed within 30 days by being subject of the risk analysis.

#### **Alternative methods of assessment**

In addition to the existing bases for conducting an alternative assessment listed under paragraph 72.1 of the Instruction, reference rent prices determined by the Council of Minister has been added to the list of sources which serve as a basis for alternative assessment by the tax authorities.

#### **Tax evasion**

A broader definition of the cases when avoidance or non-compliance will be considered as tax evasion is provided under the rephrased paragraph 116 "Tax evasion". In terms of this article, tax evasion is deemed to include the hiding or deliberate avoidance of tax liabilities through the non-declaration of the relevant information (e.g. sales, revenue etc.) or non-submission of tax documentation and the falsification of tax and accounting documentation for purposes of fictional increasing of the business expenditures or of the input VAT credit. Classification of non-compliance as tax evasion should be based on reliable evidences and arguments.

The above amendments are effective upon their publication in the [Official Journal no. 156](#), dated 07.09.2015.

### **IV. Sports equipment and materials exempt from VAT and custom duties**

With an amendment to Decision of the Council of Ministers no. 306, dated 24.05.2006 "On the approval of the list of sports materials and equipment which will be exempt from customs duties and VAT", the Council of Ministers has extended the applicable exemptions to sports clubs further to the existing exemption relative only to the sports federations. In addition, sports federations

and clubs will now be eligible to import up to one bus (in the context of their sportive activities) without being subject of VAT and customs duties.

#### **V. Compensation of agriculture producers for purposes of VAT**

The Minister of Finance has issued an Instruction which amends the Instruction no. 19, dated 03.11.2014 "On the implementation of the special regime for the compensation scheme of agriculture producers for purposes of VAT". With the addition to paragraph 3 of article 9 of this Instruction, the purchasers of agriculture products, acting as taxable persons, shall no longer be entitled to deduct the compensated VAT of 20% presented in the fiscal invoice issued in pursuance to the provisions of this Instruction, in case they will not able to provide evidences that the invoice has been settled via a bank transaction from their account to the farmers' bank account.

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