

Tax News

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Fiscal Package 2017

We have presented below some of the most important amendments brought by the Fiscal Package of 2017, published in two different Official Gazettes: the Official Gazette no. 250, dated 27.12.2016 and no.259, dated 06.01.2017. All these changes enter into force as from 01.01.2017, except for the amendments to the law no. 8438, dated 28.12.1998 “On income tax” as indicated below.

I. Amendments to the law no. 8438, dated 28.12.1998 “On income tax”, as amended

Thin capitalization rules (effective as from 01.01.2018)

As from 01.01.2018, in the case of loans from related parties, the excess of net interest over 30% of earnings before interest, taxes, depreciation and amortization (EBITDA) will be considered as a non-deductible expense. Such excess net interest will be carried forward and deducted in subsequent years, until a transfer of more than 50% of the company's shares or voting rights occurs. This thin capitalization rule will not apply to banks, insurance companies, non-bank credit financial institutions and financial leasing companies.

Deductible expenses of banks (effective as from 21.01.2017)

Expenses incurred by banks for annual and extraordinary contributions in accordance with the law 133/2016, dated 22.12.2016 "On bank recovery and extraordinary intervention in the Republic of Albania", will be considered as deductible in determining the taxable result. This provision enters into force 15 days from publication in the Official Gazette no.259, dated 06.01.2017.

II. Amendments to the law no. 9975, dated 28.07.2008 “On national taxes”, as amended (effective as from 01.01.2017)

Circulation tax and carbon tax

It has been specified that circulation tax is payable only for quantities of gasoline and gasoil imported or produced in Albania, but is not applicable on quantities produced in Albania and exported abroad.

Gasoline and gasoil contained in biofuels (corresponding to tariff codes from 27102011 to 27102090, 27102090 and under the subchapter 38 26 00) will also be subject to circulation tax and carbon tax.

Royalty tax

The royalty tax rate on the domestic sale of non-refined minerals of the first group “Metallic minerals” of Appendix 2 of the law, will be equal to ½ of the royalty tax rates set forth in Appendix 2, calculated on the sale value/price. The sale value/price for the purpose of calculation of royalty tax cannot be less than the export price of the non-refined minerals.

The royalty tax rate on pyro bitumen has been reduced from 2,371 ALL/ton to 186 ALL/ton.

Packaging tax

Packaging tax payable by the domestic recycling industry has been reduced from 50 ALL/kg to 1 ALL/kg for packaging produced by the recycling of domestic plastic waste.

Exemption from annual tax on used vehicles

Stolen, burned and accidentally destroyed vehicles, verified as such by the prosecution office, will be exempted from the payment of annual tax on used vehicles.

Taxation of luxury vehicles

Vehicles with a price/value equal or more than ALL 5,000,000 will be considered luxury vehicles and will be subject to luxury vehicle taxes (*previously, the price/value threshold was ALL 7,000,000*).

III. Amendments to the law no. 61/2012, dated 24.05.2012 “On excise tax”, as amended (effective as from 01.01.2017)

Re-grouped penalties on administrative offences

All administrative penalties have been re-grouped and re-presented. *Previously, they were presented based on the type of excise products*. Now, they are presented based on the type of administrative offence

committed. As such, there are now equal sanctions applicable similarly for all excise products as a result of similar types of administrative offences committed by taxpayers.

Allowance of setting fiscal stamps in the customs warehouses

The [Fiscal Package of 2016](#) introduced the possibility to set the fiscal stamps at the storage warehouses in the Republic of Albania (more precisely, upon exit from the storage warehouses and the release for consumption). The Fiscal Package of 2017 provides the possibility to set the fiscal stamps at the customs warehouses also.

Amendments to excise tax rates

- For cigars and cigarillos containing tobacco – 4,400 ALL/kg (*increased from 2,500 ALL/kg*);
- For cigarettes containing tobacco – the current level of ALL 5,500 ALL/1,000 pieces has been maintained, despite of the pre-announced increase at ALL 6,500/1,000 pieces. An increase of 250 ALL/1,000 pieces has been pre-determined for the coming years from 2018 to 2021;
- For cigars, cigarillos and cigarettes containing tobacco substitute – 4,400 ALL/kg (*increased from 2,240 ALL/kg*);
- For other manufactured tobacco and manufactured tobacco substitutes; “homogenized” or “reconstituted” tobacco; tobacco extracts and essences – the current level of 4,400 ALL/1,000 pieces has been maintained, despite of the pre-announced increase at ALL 5,800 ALL/1,000 pieces;
- For cigarettes manufactured with cigarette leaves produced in Albania – 2,500 ALL/kg (*reduced from 4,400 ALL/kg*);
- For petroleum and other gases used for motor vehicles – 8 ALL/litre (*increased from ALL 0/litre*);

Reimbursement of excise taxes

The reimbursement of excise tax corresponding to the “bio” element of biofuels used in the transportation sector has been limited up to 5%. The procedure and criteria of reimbursement will be provided by a Decision of Council of Ministers.

IV. Amendments to the law no. 9981, dated 08.09.2008 “On approval of customs tariff levels”, as amended (effective as from 01.01.2017)

Customs tariff levels on certain items determined in Annex 1 of the law have been reduced to 0%. Click [here](#) to check all such items.

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