

Tax & Legal News

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Amendments to several tax laws

All the following amendments to the tax legislation of the Republic of Albania have been published in the Official Gazette no. 126, dated on 11.08.2014, and enter into force 15 days after their publication. The Ministry of Finance is expected to issue soon the respective sub-legal acts.

I. Amendments to the Law on Income Tax no. 8438, dated on 28.12.1998

Monthly instalments

- The monthly instalments of Corporate Income Tax (CIT) will be calculated as follows:
 - For the first 3 months of the year (January, February and March), based on the CIT declared two years ago, divided by 12;
 - For the following 9 months of the year (April to December), based on the CIT of the previous year, divided by 12.

Before the amendment:

- The first calculation above was applied for the 4 first months of the year i.e. including April;
- The second calculation above was applied for the 8 remaining months of the year i.e. excluding April, and provided for the subtraction of the instalments paid on January to April from the CIT of the previous year, before dividing it by 12.

WHT on dividends

- The latest deadline for the declaration and payment of the WHT on dividends has been extended from the 31st of July to the 20th of August of the year of approval of the financial results by the General

Assembly, even if such dividends have not been paid by then.

II. Amendments to the Law on Tax Procedures no. 9920, dated on 19.05.2008

Electronic communication

- The electronic communication with the tax authorities in relation to tax notifications, assessments and decisions has been introduced as an alternative to the postal communications. Such documents and any other correspondence sent by the tax authorities will be deemed as received by the taxpayer within 10 calendar days from the date they were sent electronically or by courier, instead of 7 (as prior to the amendment). The Ministry of Finance will issue an instruction describing how and when may the taxpayers provide their preference and consent for electronic or postal communication.

Registration

- The list of persons that need to be registered with the Tax Administration instead of with the National Registration Centre (NRC), has been specified as follows:
 - Non-for-profit organizations;
 - Other judicial persons which are not registered with the NRC, including embassies, national and local public entities, project implementation units, etc.;
 - Fiscal representatives of non-resident taxpayers;
 - The self-employed in commercial activities and ambulatory services;
 - The head family member who employs individuals as housekeepers, caregivers and other individuals in the same range of activities;
 - Farmers.

It has been specified that, for all other persons, the registration at the NRC will serve at the same time for the purposes of registration at the Tax Administration, the Social Security Schemes, Labor Offices and Customs Directorate.

Notification on number of employees

- The requirement of the Non-for-profit organizations to notify the Tax Administration on changes in the number of employees within 15 days has been abrogated.

Tax Passive Registry

- The Tax Administration will transfer the taxpayer into the Tax Passive Registry upon verification of at least one of the following:

- Termination of the commercial activity for a period of 12 consecutive months,
- Non-submission of a tax declaration for a period of 12 consecutive months,
- The taxpayer declares at the NRC suspension of the commercial activity.

Before the amendment, this article was lacking specification on whether only one of the conditions should have been fulfilled or all simultaneously, in order for the Tax Administration to take any actions. Moreover, the third condition previously implied a period of 12 consecutive months after the taxpayer's declaration of activity suspension.



De-registration

- The Tax Administration should perform verifications and eventually oppose to the de-registration of a taxpayer upon 30 days from the date the taxpayer submits at the Tax Administration:
 - All tax declarations for the period under liquidation process until its termination,
 - Proof of payment of all outstanding tax liabilities, and
 - The closing financial statements.

Before the amendment, the Tax Administration had to perform such verifications and take any actions within 30 days from the date of receipt of notification, from the NRC or Court, on the request for de-registration submitted by a physical person, or the request for initiation of liquidation procedures, or request for de-registration without liquidation, submitted by a juridical person.

The obligation to make tax declarations terminates respectively:

- For the physical person, at the moment of application for de-registration at the NRC. This rule is the same as before.
- For the juridical person, at the moment of de-registration at the NRC or Court. Before the amendment, such obligation terminated at the moment of application for initiation of liquidation procedures at the NRC or Court.

Extension of deadlines for tax declarations

- It has been abrogated the possibility provided by article 66 of the Law, of submitting a tax declaration with 30 days of delay without being subject to penalties for late declaration, upon notification to the tax authorities of the inability to declare on time.

Reminder Notice

- With the introduction of article 71/1 "Reminder Notice", the Tax Administration is expected to send a Reminder Notice to the taxpayer that has not submitted a Tax Declaration on time, within 5 calendar days of the legal deadline of the declaration. If the taxpayer does not yet submit the tax declaration, the Tax Administration is entitled to issue a Tax Assessment related to the concerned period and tax (from the office, i.e. without conducting a tax inspection), within 10 calendar days after the Reminder Notice. The Tax Assessment issued in this form is not subject to appeal by the taxpayer. The only way to cancel it is by submitting the concerned tax declaration. However, in case the taxpayer does neither submit the concerned tax declaration nor pay the liabilities charged by the Tax Assessment, the Tax Administration starts the procedures of forced collection of the liabilities.



Reduction of tax credit

- The definition of 'unpaid tax liability' in article 114 has been extended to include also the reduction of a tax credit balance of the taxpayer, in case of a re-assessment by the tax authorities. This amendment entitles the Tax Administration to charge penalties of 5% per month or part of month, up to 25%, not only on under-paid tax liabilities, but also on over-declared tax credit balances.

III. Amendments to the Law on Local Tax System no. 9632, dated on 30.10.2006

Simplified income tax on small businesses

- The tax rate for taxpayers with an annual turnover from 2 to 8 million Leke remains 7.5%, but based on the amendment, the simplified income tax for them may not be less than 25,000 Leke annually.
- The taxpayers with a turnover from 0 to 2 million Leke, which start their commercial activity during the second half of the year, will pay their proportional liability within the 20th of December.
- The amendment introduces the possibility to reduce the prepayment instalments upon the taxpayer's request and supporting documentation, as well as the possibility of the Tax Administration to increase them in certain circumstances.
- All small businesses (including those with turnover from 0 to 2 million Leke) have the obligation to deposit the annual declaration within the 10th of February of the following year.
- Small businesses can now pay their income tax prepayments/liabilities also through the Albanian Courier.

IV. Amendments to the Law on National Taxes no. 9975, dated on 28.07.2008

Scope of the Law

- Articles 1 and 2 have been extended in order to include under the scope of the Law and to provide the definition of 'national tariffs' and 'agents of taxes and tariffs'.
- There is a new tax which is part of the National Taxes System under this law: 'tax on the right to use state-owned land in use'. The level of this tax is specified by law no. 10 270 "On the right of privatization of state-owned land in use and for the tax on the right to use it" and is currently equal to 10% of the value of the land in use (payable annually). This tax is to be collected by the Regional Tax Directorates. There are certain exemptions from this tax determined in article 9.

Tax and tariffs declaration and payment

- Taxpayers, who are subject to national taxes and tariffs, as well as agents for taxes and tariffs, are obliged to submit the declaration and payment of such taxes on a monthly basis, within the 15th of the following month.
- Agents of national taxes and tariffs will be subject to sanctions for delayed or non-declaration and payment, in accordance with the Law on Tax Procedures.

(to which the declaration will be electronically transferred by the Tax Administration).



V. Amendments to the Law on Collection of Mandatory Contributions for Social and Health Insurance no. 9136, dated on 11.09.2003

- The definition of the 'self-employed' for the purpose of this Law has been specified further on by adding the respective sub-categories;
- The declaration at the Tax Administration for newly hired and for leaving employees will serve at the same time as declaration at the Labor Inspectorate

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