

Tax News

Fiscal Package 2016

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We have presented below some of the most important amendments brought by the Fiscal Package of 2016, published in two different Official Gazettes: the Official Gazette no. 244, dated 11.01.2016 and no. 252, dated 22.01.2016. Almost all of these changes enter into force as of 1 January 2016.

**I. Amendments to the law no. 9975, dated 28.07.2008
“On national taxes”, as amended (in force as of 1
January 2016)**

Royalty tax on non-metal minerals

According to appendix 2 of the amended law, royalty tax for the major part of the minerals of Group III “Coal and bitumen” and of group IV “Minerals and constructing materials” is determined in ALL per quantity of mineral sold. *Previously, royalty tax for these minerals was determined as a percentage of the wholesale price.*

Tax on insurance premiums

Tax on insurance premiums, except for insurance premiums on life products, travel health insurance and the green card police, increases *from 3% of the premium value to 10% of the premium value.*

Taxation on luxury cars

A vehicle with a capacity of 4+1, which meets at least one of the following conditions, will be considered a luxury vehicle:

- Cylinder equal or more than 3,000 m³;
- Price/value equal or more than ALL 7,000,000.

Luxury vehicles will be subject to two new taxes:

- Initial registration tax of ALL 70,000 and;
- Annual tax of ALL 21,000.

The law provides also a list of exemptions from payment of the initial registration tax and the annual tax.



II. Amendments to the law no. 9632, dated 30.10.2006 "On local tax system", as amended (in force as of 1 January 2016)

Simplified profit tax on small business

- For taxpayers with annual turnover from ALL 0-5 million, the simplified profit tax on small business will be zero ALL per year (*previously, for taxpayers with annual turnover from ALL 0-2 million, it was ALL 25,000 per year*).
- For taxpayers with annual turnover from ALL 5-8 million, the tax rate of simplified profit tax on small business will be 5% of the taxable profit (*previously, for taxpayers that generate an annual turnover from ALL 2-8 million, the tax rate of simplify tax on small business was 7.5% of the taxable profit, but not less than ALL 25,000 per year*).

The declaration procedure for taxpayers with annual turnover from ALL 5-8 million remains the same. Meanwhile, taxpayers with annual turnover from ALL 0-5 million, should declare within the same deadline but upon a procedure to be provided by an expected Instruction of the Minister of Finance.

Amendments related to the territorial and new administrative reform in Albania

In the context of the new territorial reform (please refer to our [Legal News of May 2015](#)), the previous local administrative sub-divisions 'communes' have been abolished. Such amendment is reflected in the law through revising the labels of the annexes that determine the rates of tax on buildings, transfer tax, the tax on occupation of public areas, table tax and hotel accommodation tax.

Property tax on construction land

The amended law adds as object of the property tax also the "construction land" (non-agricultural and non-public property land, approved for building on it). The tax base is the surface of the construction land in square meters, under ownership or use. The tax rates are determined in annex 2.1 of the law and are expressed in ALL/m²/year. Construction land tax is determined according to four categories of local government units and the tax rates vary between 0.14-0.56 ALL/m²/year for residential buildings and 12-20 ALL/m²/year for commercial buildings.

Persons subject to property tax

Subject to property tax on agricultural land, on buildings and on construction land will be also the user of the property, which in case does not possess any ownership documentations, is obliged to self-declare the property to the Municipality of its jurisdiction.

Hotel accommodation tax

The tax base of hotel accommodation tax will be the number of nights of accommodation and will vary upon the following categories:

- For 4 to 5 stars hotels, from ALL 105 to 350 per accommodation night per person, depending on the location of the hotel;
- For guesthouses, dormitories, motels or any other accommodation facilities from ALL 25 to 100 per accommodation night per person, depending on the location of the facility.

Before this change, the rate of hotel accommodation tax was 5% of the accommodation price per room, or per person, per each accommodation night.

Table tax

The law amends the tax rate and the sub-categories of the table tax. The new tax varies in the range between ALL 0/year for identification tables not larger than 2m² incorporated in the building surface up to ALL 90,000 /m²/year for electronic movable or immovable tables installed for promotional purposes in Tirana (*previously, it ranged from between ALL 120/m²/year to ALL 810,000/year for tables with a surface of over 18 m²*).

In any case, the Municipal Council is entitled to determine the tax base and tax rate of table tax.

Tariff for occupation of public areas for business purposes

The amendment classifies as 'tariff for occupation of public areas for business purposes' what was *previously determined as 'tax of occupation of public areas for business purposes'*. Same as before, this tariff is calculated as a monthly liability of the taxpayer and the indicative rates vary from ALL 60 to 120/m²/month. Moreover, same as before, the Municipal Council determines the tax rate, the main administration and collection rules. However, unlike before, the Municipal Council is no longer obliged to set the tariff in the range between plus 10% and minus 30% of the indicative rates.

Tax on impact on infrastructure of new constructions

According to the amendments, the tax base and rate of the tax on impact on infrastructure are differentiated based on the categories/purposes of the construction. More precisely:

- In case of construction of residential buildings or service facilities by construction companies, which are not designated for tourism, industry or public use, the tax rate applicable is between 4 to 8% of the 'sales price per square meter' (based on reference market values set by the Instruction of the Council of Minister "On approval of the average construction costs of buildings from the National Housing Agency", updated annually).
- For constructions other than those mentioned above, the tax rate remains unchanged, i.e. at 1 to 3% of the investment value or at 2 to 4% for Tirana municipality, except for public infrastructure projects (0.1% of the investment

value) and buildings under legalisation process (0.5% of the investment value).

III. Amendments related to social and health insurance contributions (in force as of 1 January 2016)

The Fiscal Package of 2016 brings some significant changes on social and health insurance contributions, respectively on:

- law no. 10383, dated 24.02.2011 "On compulsory health insurance in the Republic of Albania", as amended,
- law no. 7703, dated 11.05.1993 "On social contributions in the Republic of Albania", as amended,
- law no. 9136, dated 11.09.2003 "On collection of social and health contributions in the Republic of Albania", as amended.

Freelance professionals

For specific categories of persons, which perform professional economic activities as self-employed, the base salary for the purpose of calculation of health and social contributions, as well as the criteria for its determination, will be set by a specific Decision of the Council of Ministers. Such Decision is expected to take into consideration the type of profession, the number of employees, the area where the economic activity is performed, the level of revenue for the same or similar professions in the public sector, the working experience on the profession and the status of the licensed professionals. *Previously, for all categories of self-employed, the base salary for the calculation of social and health contributions was as follows: for social contributions – equal to the minimum salary for contributions calculation purposes; for health contributions – twice the minimum salary for contributions calculation purposes.*

Non-paid members of the family

It is left under the discretion of the Council of Ministers to define the cases and the obligations to pay social and health contributions for the non-paid members of the family who work and live together with specific self-employed categories.

Self-employed retirees

Self-employed retirees, who receive a pension and at the same time, perform on their own a professional activity, are not liable to pay social and health contributions in relation to their activity.

IV. Amendments to the law no. 61/2012, dated 24.05.2012 "On Excise in Republic of Albania, as amended (in force as of 1 January 2016)

Video camera of the authorised warehouse keeper

The Customs Administration has the right to request to the authorised warehouse keeper, to install surveillance video

cameras and to store the images for a period determined by the Customs Administration. If a prosecuting investigation or a judgment has begun, the images are stored until the end of the investigation and/or trial.

Possession, transporting or selling of excise goods without fiscal stamps

In addition to the current penalties and current provisions of charges for criminal offences and seizure of the goods, the amending Law provides also for the seizure of the means of transport when the offence is identified during the transport of the goods. It provides also for the possibility to reject/delete such seizure only if it is proved that the owner of the means of transport was not involved in the offence.

Marking of fuel

Possession, sale or transportation of fuel by-products non-marked or without the right quantity of marker, will be subject to the following sanctions:

- When identified for the first time, penalty equal to 2-times the amount of tax liability that would be due if the quantity had been correctly marked but not less than ALL 200,000.
- When identified for the second time, penalty equal to 3-times the amount of tax liability that would be due if the quantity had been correctly marked, but not less than ALL 500,000.
- Identification for the third and all consecutive times, penalty equal to 5-times the tax liability that would be due if the quantity had been correctly marked, but not less than ALL 1,000,000.

In addition to the penalty, the amending law provides also for the seizure of the goods.

Any interventions in the marker, including falsified or manipulated marker, falsification or theft of the marker, is subject to a penalty of ALL 1,000,000 in addition to the charges for criminal offences.

The level of excise on cigarettes

The expected increase of the level of excise on cigarettes for 2016 pre-announced at ALL 6,000/1,000 pieces, has been cancelled by maintaining the current level of ALL 5,500 ALL/1,000 pieces.

On the other hand, it has been exempted from excise tax the tobacco minced, manufactured or processed from private individuals and consumed by them and their relatives, for their own needs, on the condition that the total quantity produced does not exceed 25 kg per year and it is not involved in any sale activities.

Exemption from the reimbursement of excise tax on fuel by-products utilised in oil fields

From 01.01.2014, the importation of fuel by-products to be utilised in oil fields, is no longer exempted from excise tax. Furthermore, the amending law provides for the exemption from the reimbursement right of excise tax on fuel by-products utilised by companies involved in oil exploration and exploitation, regardless of the actual destination of utilisation.

Allowance of setting fiscal stamps in the storage warehouses

The new Fiscal Package provides for 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). *Previously, the fiscal stamps on excise goods should had been set upon importation.* The Council of Ministers is expected to determine the specific mechanisms of control, the procedural elements of managing the fiscal stamp from the concessionaire or the presence of foreign fiscal stamps on the goods.

V. Law no. 146/2015, dated 17.12.2015 “On job-seekers” (in force as of 26 January 2016)

This new law aims to provide job opportunities and qualification for job seekers, especially for those who benefit from the schemes of unemployment payments and social aid according to the applicable legislation.

The Minister of Social Welfare and Youth is expected to approve the Instruction for the implementation of this law, within one month from the date it enters into force.



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