



## Tax & Legal Highlights

### Albania

#### Fiscal Package 2020 – Law “On tax procedures”

In the Official Gazette no. 184, dated 31.12.2019 has been published the Law no. 83/2019 “On some additions and amendments to the Law no. 9920, dated 19.05.2008 ‘On tax procedures in the Republic of Albania’, as amended”, part of the Fiscal Package 2020.

#### Compensation of tax credits and liabilities

In special cases, a taxpayer’s tax liabilities to the tax administration may be compensated by tax overpayments with the customs authorities and vice versa. An instruction of the Minister of Finance and Economy is expected to determine the special cases and categories of eligible taxpayers eligible and the applicable procedures to benefit.

#### Installment VAT reimbursement

The tax administration shall have the right to pay in installments the VAT approved for reimbursement to certain taxpayers, with whom it will agree in advance on the payment plan. These amounts will not be subject to interest rates that the tax administration would have to pay in the absence of this provision. A decision of the Council of Ministers is expected to determine

## **Tax&Legal Highlights**

the cases when this provision will be applied and the criteria and procedures for its implementation.

### **On-site verifications without prior notice**

The tax administration shall have the right to conduct on-site verifications for the timely detection of violations without prior notice to the taxpayer. These verifications may consist in controls regarding:

- registration of taxable persons,
- use of fiscal devices,
- documentation of goods in storage, use and transport,
- documentation of the transactions of sale of goods or services,
- issuance of tax invoices,
- registration of employees, etc.

### **Forced collection of unpaid tax liabilities**

Forced collection of unpaid liabilities will be carried out by special responsible directorates that will be under the structure of the General Tax Directorate. Following, an instruction of the Minister of Finance and Economy is expected to determine certain amendments regarding the order of blocking the taxpayer's bank accounts in accordance with the requests that the tax administration sends to commercial banks as well as on the security charges of the tax liabilities in favor of the tax administration. In addition, a joint instruction of the Minister of Justice and the Minister of Finance and Economy is expected to determine new procedures regarding the confiscated assets of the taxpayers.

### **Declaration of the tax liability as uncollectible**

The Regional Tax Directorates and the General Tax Directorate shall set up special commissions for the assessment of tax liabilities as uncollectible. An instruction of the Minister of Finance and Economy is expected to determine the functioning of these commissions.

Based on the decisions made by these commissions, declaration of tax liabilities as uncollectible shall be made respectively by order of:

- The Regional Tax Director for amounts up to 1 million ALL,
- The General Tax Director for amounts between 1 and 5 million ALL,
- The Minister of Finance and Economy for amounts over 5 million ALL.

### **Self-employed natural persons**

Until now, if persons over 16 years old were identified as undeclared following an on-site inspection at the place of activity of the self-employed natural person, the taxpayer had to prove within 5 calendar days that such persons were unpaid family members or legally living with the self-employed person, within the meaning of the Civil Code. Now, the tax administration will be responsible to verify in the e-Albania portal through the family certificate of the self-employed person, whether or not the person evidenced at the place of activity fulfills the conditions to be considered as an unpaid family member or cohabitant within the meaning of the Civil Code.

## **Fiscal Package 2020 – Law “On income tax”**

**In the Official Gazette no. 184, dated 31.12.2019 has been published the Law no. 84/2019, “On some additions and amendments to the Law no. 8438, dated 28.12.1998 ‘On income tax’, as amended”, part of Fiscal Package 2020.**

### **Tax incentives and reliefs**

5% corporate income tax for the automotive industry - The automotive industry is expected to be stimulated by the decreasing corporate income tax rate from 15% to 5%. A decision of the Council of Ministers is expected to set out the activities, procedures and criteria to benefit from the implementation of the 5% reduced rate.

New rule for carrying forward of fiscal losses - For taxpayers investing in business projects worth more than ALL 1 billion, the tax loss carry forward period is extended from 3 to 5 years, on basis of the principle that earlier losses are covered first. An instruction of the Minister of Finance and Economy is expected to set out the criteria and procedures for applying this rule.

Sportive sponsorships - Another incentive is provided for companies with a taxable profit more than ALL 100 million for sponsorships of sports teams activities, part of sports federations recognized by the relevant legislation. Currently, these types of sponsorships are recognized as deductible expenses up to 3% of pre-tax profit. Following this amendment, for the purpose of calculating the corporate income tax, qualifying companies may consider as deductible the triple of the value of sponsorships, recognized within the above limit. If any part thereof remains non-deductible, it will not be allowed to be carried over and deducted in the next periods. In order to benefit from this incentive, qualifying companies must follow special procedures to obtain the “sponsorship authorization” from the General Tax Director, which are expected to be set out by an instruction of the Minister of Finance and Economy.

Representative expenses for exporters – For exporters who have realized more than 70% of their revenue from exports in the last 3 years (excluding manufacturers working under inward processing models), the extent of recognition as deductible expenses of representation costs abroad (for participation and presentation in international fairs or exhibitions) increases from 0.3% to 3% of the annual turnover.

### **Change of ownership**

The Fiscal Package 2019 introduced new rules around the payment of tax on “deemed profits” by a legal entity subject of a direct or indirect change of ownership of its capital or voting rights. These rules charge a tax liability to the legal entity subject to the change of ownership when certain conditions are met, even though that person is not a participant in the transaction and does not realize any capital gain from this transaction. These rules provide the obligation to notify the tax authorities for the legal entity subject of the change in ownership, as well as penalties for failure to notify.

The Fiscal Package 2020 introduced a clarification around this provision. Specifically, it provides that the above rules shall not apply where the change of ownership is subject to the provisions of ratified agreements in force for the avoidance of double taxation.

### **Tax on salary earnings from more than one source**

All individuals employed by more than one employer will be required to file an annual income declaration, regardless of whether the total amount of their earnings during the year will not exceed ALL 2 million (threshold for the obligatory filing of the annual income declaration). In the annual income declaration, these individuals shall declare in a single amount respectively (1) the total annual income received from employment, (2) the total annual personal income tax liability calculated by them each month of the year, as well as (3) the total annual personal income tax withheld by the employer for each month of the year. Where appropriate, these individuals will have to pay the difference between amounts (2) and (3) above.

### **Donating properties/ownership split between family members**

The transfer of ownership rights over a building and/or land through donation or waiving of the property rights will be exempt from personal income tax, when such transfer occurs between family members (thus, between the spouses and children) and only once towards a beneficiary.

### **Fiscal Package 2020 – Law “On value added tax”**

**In the Official Gazette no. 184, dated 31.12.2019 has been published the Law no. 85/2019 “On some additions and amendments to the Law no. 92/2014 ‘On value added tax’, as amended”, part of Fiscal Package 2020.**

#### **Reduced VAT rates and exemptions from VAT**

VAT exemptions for the reconstruction process - Due to the situation created by the earthquakes in Albania, some new tax incentives have been introduced to the Law on VAT, in addition to the approved incentives that entered into force during December 2019 for the same reason. Specifically, the following supplies shall be treated as exempted from VAT:

- construction services supplied by constructors duly authorized by the General Tax Director, within the reconstruction program for cases of proclamation of “state of natural disaster” and during the reconstruction period;
- services and goods supplied towards authorized constructors and used by them for the purposes of reconstruction processes specified above;
- materials, equipment, prefabricated buildings, imported for this purpose by state bodies, charities and philanthropic organizations in cases of “state of natural disasters”, within the reconstruction program.

Reduced rate for electric vehicles - Fiscal Package 2019 presented the reduced VAT rate of 6% for the supply of electric engine buses with 9 +1 or more seats, as public passenger transport vehicles. This rate was projected to rise to 10% from 01.01.2022.

Fiscal Package 2020 fixes the reduced rate at 6%, without predicting further growth. Whereas, the supply of new vehicles, with zero-km electric engine not previously registered in any other country is entirely exempt from VAT.

### **New deadline on issuing the self-invoice (reverse-charge)**

In case of receiving services from foreign suppliers, for which the "place of supply" is considered to be in Albania, the recipient of the service must issue a self-invoice for the reverse charge of VAT within the 10<sup>th</sup> day of the following month. Until now, the deadline for this purpose was the 14<sup>th</sup> of the following month.

### **Fiscal Package 2020 – Law "On national taxes"**

**In the Official Gazette no. 184, dated 31.12.2019 has been published the Law no. 86/2019 "On some additions and amendments to the Law no. 9975, dated 28.07.2008 'On national taxes', as amended". The main amendments introduced by this law are presented herein below.**

### **Exemption from the annual vehicle tax for persons with disabilities**

The obligation to pay the annual tax on used vehicles shall not apply to vehicles of up to 4+1 seats and cylinders of not more than 2,500 cubic, when these vehicles are possessed by persons with disabilities and used by them for personal needs only.

### **Penalties for the delay in payment of the annual vehicle tax**

Penalty for late payment of annual tax on used vehicles shall be 0.06% of the unpaid liability for each day of delay up to a maximum period of 365 calendar days, as provided in the "Law on Tax Procedures". Previously, the penalty was calculated as 5% of the unpaid liability for each month of delay up to a maximum of 25% for each year.

### **New determinations around the value of luxury cars**

The value of vehicles classified as "luxury" shall be considered to be reduced annually by 10% of the residual value. In the case of the sale of the vehicle, the sale value shall not be less than the depreciated residual value as above.

### **Revaluation of immovable property**

**In the Official Gazette no. 182 dated 30.12.2019 has been published the law no. 90/2019 "On revaluation of immovable property". Upon entry into force of this law, all individuals and legal entities who own immovable properties, as well as those who own immovable property in registration process shall be entitled to reevaluate their property at market value until September 30<sup>th</sup>, 2020.**

### **Revaluation by individuals**

Individuals may reevaluate their immovable property at the market value of the property based on an expert act issued by a licensed expert. The market value in this case, however, cannot be less than minimal fiscal prices. Otherwise, the revaluation will be carried out by the State Cadaster Agency at the minimum fiscal prices. The tax that individuals will pay for registering this revaluation is 3% of the difference between the revalued amount as above and the value of property of the previously registered act or the previously revaluated value (for which tax has been paid earlier). The

## Tax&Legal Highlights

revalued amount will thus serve as a basis for calculating the realized gain in the case of a transfer of the ownership of the immovable property in the future, a gain that will be taxable at the moment of transfer with the effective rate (the existing rate in force: 15%).

### Revaluation by legal entities

Legal entities are entitled to reevaluate their immovable properties at market value through an expert act issued by a licensed independent expert. Legal entities will have to pay 5% of the difference between the revalued amount and the registered carrying amount of the immovable property. The difference between the revalued amount and the carrying amount shall not be depreciated for tax purposes.

### Revaluation procedure

The revaluation procedures and the fee payable to the State Cadaster Agency for providing this service are expected to be determined by a joint instruction of the Ministry of Finance and Economy and the State Cadaster Agency.

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