



Tax&Legal Highlights

Albania

2018 fiscal package includes changes to corporate tax rate, VAT rate and incentives for certain sectors

Albania's fiscal package for 2018 introduces amendments to a number of the country's tax laws; the following summarizes the most important changes related to corporate income tax, VAT and local taxes. Unless otherwise stated, the new rules apply as from 1 January 2018.

Corporate income tax

- Companies that produce/develop software are subject to a corporate income tax rate of 5% (reduced from the 15% rate that was applicable through 31 December 2017). The Council of Ministers is expected to issue guidance that sets out the rules and procedures for the application of the reduced rate.
- Four and five-star hotels with "special status" are exempt from corporate income tax for a 10-year period starting from the date business activities commence, but no later than three years from the

date the hotel obtains special status. To qualify for special status, the hotel must be on the internationally recognized brands, operate under a registered trademark and obtain special status by 31 December 2024.

VAT

- All supplies of services at five-star hotels/resorts (but not four-star hotels) that have special status are subject to a reduced VAT rate of 6% (until 31 December 2017, only the supply of accommodations was subject to the reduced rate). The Council of Ministers will determine the conditions, criteria and procedures for the application of the reduced rate.
- The Council of Ministers may issue a special decision that determines the tax period for specific categories of taxpayers, which may be longer than one month, but may not exceed a calendar year.
- The council may grant a VAT exemption for special categories of taxable persons or set different minimum VAT registration thresholds.

Local taxes

- **Tax on buildings:** The taxable base for the tax on buildings will be the market value of the building (currently, the taxable base is the surface area, as adjusted based on the location, age and purpose of the building), with the Council of Ministers establishing the methodology for calculating the market value. The tax rates will be as follows: (i) 0.05% for buildings used for habitation; (ii) 0.2% for buildings used for business purposes; and (iii) 30% of the relevant tax rate for an entire construction site for which a builder obtained a construction permit but failed to complete the construction according to the deadline in the permit. The tax will be calculated as an annual liability and will have to be paid monthly (or in longer periods, depending on the category of the taxpayer). The Council of Ministers may authorize agents to collect the tax. The following categories of buildings have been added to the list of buildings that are exempt from the tax:
 - Residential buildings of heads of households who are retired or who live on social pensions, when the family consists only of pensioners;
 - Residential buildings of heads of households that benefit from social welfare;
 - "Social houses" (i.e. houses owned by or used by municipalities for persons who are on social welfare);
 - Buildings that are protected cultural monuments in accordance with the relevant legislation; and
 - Accommodation facilities in four and five-star hotels with special status, as defined in the tourism legislation.

- **Tax on immovable property:** A central registry, known as the fiscal cadaster, will be set up for the authorities to administer the tax on immovable property. The General Directorate of Property Tax, an institution under the responsibility of the Ministry of Finance, will manage the registry. The rules for the organization and functioning of this directorate will be approved by the Council of Ministers.
- **Infrastructure tax:** Investments made for the construction of five-star hotels with special status will be exempt from the infrastructure tax (a tax imposed on new constructions).
- **Appeal:** A local appeal mechanism will be established by each local unit (municipality), under which taxpayers can appeal decisions or actions of the local tax authorities. The rules and criteria for the appeals procedure are expected to be determined through a decision issued by the Municipal Council.

The rules relating to local taxes will become effective on 1 April 2018, except for the exemption from the infrastructure tax with respect to the construction of five-star hotels, which applies as from 1 January 2018.

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