



WWW.AMCHAM.COM.AL

American Chamber of Commerce in Albania

TAX ALERT 2020 FISCAL PACKAGE

2020 FISCAL PACKAGE

The Council of Ministers submitted in the Parliament its proposal for amendment of tax legislation (the "2020 Fiscal Package"). The Fiscal Package was approved by the Parliament on 18 December 2019 and was published in the Official Gazette on 31 December 2019.

Below you will find a summary of the most important amendments introduced by the Fiscal Package to several tax laws.

Income Tax Law (Law no. 8438/1998)

The new law "On some amendments and additions to law no. 8438/1998 "On Income Tax", provides for the following amendments:

Annual tax return to be filed by individuals employed with more than one employer

Individuals who are employed with more than one employer are required to fill-in the annual tax return on personal income irrespective of the amount of total annual income (i.e. even if their income is below the Leke 2 million threshold). Such individuals will have to declare in their tax return, the total income from employment and calculate the tax obligation based on the progressive tax rates. The employees will pay the personal income to the tax authorities after deducting the tax withheld by the employers during the year (if any).

Transfer of immovable property between family members

The transfer of the ownership title of the house and/or land between family members (such as between hus-

band and wife, or between parent and children), through donation or renunciation from the ownership right, is exempt from personal income tax. Only one transfer of ownership right to each beneficiary is exempt. Any other transfer is subject to personal income tax.

Deductible expenses for exporters

The expenses for participation in fairs or expositions abroad, incurred by exporters are recognized as deductible tax expenses up to 3% of the annual turnover. To benefit from this rule, the taxpayer should have generated more than 70 per cent of their income from export sales during the last three years. Manufacturers working under the inward processing regime do not qualify as exporters for purposes of this provision.

Sponsorship of sport teams

When legal entities that generate an annual taxable profit of more than 100 million Leke sponsor sport teams' part of recognized federations, they shall recognize as tax deductible expense an amount which is three times the sponsored amount. The deduction is not allowed to be carried for future tax periods. The sponsorship amount should not exceed the limits set in the law no. 7892, dated 21.12.1994 "On sponsorship". To benefit from the deduction, the sponsor must obtain a "Sponsorship authorization" from the General Tax Director according to the procedures to be detailed in an instruction from the Minister of Finance.

Loss carry forward

Taxpayers that invest in business projects in a value of more than Leke 1 billion, have the right to carry for-

ward losses in the next 5 tax years (other taxpayers will continue to carry forward their losses for a period up to 3 years). The Minister of Finance will define through an instruction the criteria for the implementation of this disposition.

Reduction of profit tax rate for automotive industry

Legal entities that conduct economic activity in the automotive industry are subject to a profit tax rate of 5%. The Council of Ministers will determine through a decision the activities, criteria and procedures for the implementation of this rule.

Taxation of capital gains from sale of shares

The new law clarifies that the provisions of a tax treaty on avoidance of double taxation on income and on capital prevail over the Albanian law with respect to taxation of capital gains from the sale of shares.

Specifically, the rules on taxation of capital gains from the sale of shares (which shifted the tax liability from the seller of the shares to the company, whose shares are being transferred) will not be applicable in case a tax treaty regulates the taxation of such shares' transfer.

Tax Procedures Law (Law no. 9920/2008)

The new law "On some amendments of the law no. 9920/2008 "On Tax Procedures" provides for the following amendments:

Compensation of tax obligations with customs credits and vice versa

An incentive has been introduced to use credits against tax or customs authorities for payment of obligations against the other authority.

To this end, the amounts to be paid or that have been overpaid to the tax administration can be compensated with amounts to be paid or that have been overpaid to the customs administration.

However, this incentive will apply only on specific cases.

The Minister of Finance shall define through an instruction the criteria for the implementation of this disposition and which entity will benefit from this incentive.

VAT refund through installments

On specific cases, upon the request of the tax administration, an agreement for the payment through installments can be entered for the obligations the tax authorities have towards taxpayers for reimbursement of approved VAT refunds.

When such an agreement is entered into, the obligation of the tax authorities toward the taxpayer is considered as fulfilled and no late payment interest shall apply. The procedures for the application of this disposition will be determined through a decision of the Council of Ministers.

Fines for lack of compliance with new e-invoicing system

The new law amends all the provisions setting forth the penalties for breaches regarding use of fiscal equipment/software and lack of compliance with the new e-invoicing system. Every type of fine is foreseen in three levels, the lower amount for taxpayers that are not registered for VAT (annual turnover up to 2 million Leke), the second category for taxpayers that are subject to simplified profit tax (annual turnover up to 8 million Leke), and the highest fines are applied to taxpayers that are registered for profit tax (annual turnover more than 8 million).

Value Added Tax (Law no. 92/2014)

Changes have been introduced also to the VAT Law.

Electric vehicles

The supply of new electric vehicles (that have only an electric motor) and that are not registered in any other state shall be exempted from VAT (including import or local supplies).

The supply of electric vehicles used for public transport (having more than 9 seats) will be subject to the reduced VAT rate of 6% (previously the said rate was applicable only during a limited term until 31 December 2021 and after that it would have been increased to 10%).

VAT exemption for the rebuilding process

The supply of construction services for construction of buildings destroyed from the earthquake shall be VAT exempt during the rebuilding process. The same exemption is granted to direct suppliers of constructors for services and goods acquired during the said process. The exemption should be authorized by the General Tax Director.

The Council of Ministers shall determine the procedure for the VAT exemption.

Deadline for issuance of reverse charge invoice

The taxpayer is required to issue the reverse charge invoice within the date 10th of the month following the month of the supply (before the deadline was the 14th date of the next month).

Harmonization of VAT law with the new e-invoices system

The VAT Law has had several amendments in order to be in harmony with the new rules foreseen in the law "On the invoices and transactions' monitoring system", which aims to substitute the current invoices (pre-printed invoices, which are filled in by handwriting) with e-invoices.

Entry into force

The 2020 Fiscal Package will be effective 15 days after publication in the Official Gazette, except for the amendments related to e-invoices which will be applied within the terms set forth in the law "On the invoices and transactions' monitoring system".