

Tax Alert

July 2020



Mazars fiscal experts in Albania have prepared the latest tax alert summarizing the draft law “On fiscal and penal amnesty for entities that make voluntary disclosure of properties and income”, (hereinafter referred to as “Draft Law”).

Whereas the Draft Law is currently in the public consultation phase, the normative acts related to its implementation are not published yet.

What is the purpose of the Draft Law?

The Draft Law aims to legitimate the income generated from informal work of individuals or undisclosed accumulated profits generated from legal entities. The aforementioned process will be achieved by following the voluntary disclosure procedures and by paying the provided tax liabilities, within the given deadlines.

The beneficiaries, equipped with the certificate for the completion of voluntary disclosure procedure, are exempted from penal prosecution related directly or indirectly with the creation or maintenance of disclosed properties/ income.

Who may benefit from this amnesty?

The potential beneficiaries of the amnesty are:

- Individuals, citizens of the Republic of Albania regardless of their residency;
- Individuals and legal entities, resident taxpayers in the Republic of Albania;

Tax Alert

- Individuals that are tax residents in the Republic of Albania, regardless of their citizenship.

Who is exempted from the right of benefiting from the amnesty?

Entities exempted from the right of benefiting from the amnesty are the following:

- Civil servants who have the obligation to declare their properties and income in accordance with the applicable laws;
- Individuals who have been holders of high public duties or functions in the date of entry into force of the Draft Law;
- Individuals, whose income is of criminal origin or received from terrorist organizations, qualified as such by relevant penal legislation.

Who is the responsible body for the implementation of the amnesty?

A dedicated structure known as “Special Unit” will be established with the General Tax Directorate with the purpose of supervising the voluntary disclosure process. At the end of the disclosure process, the aforementioned structure will issue the certificate of completion to the applying individual/entity.

What are the procedures to be followed?

1. Voluntary disclosure process for individuals

All potential beneficiaries of the amnesty may voluntarily disclose their income and properties by following the below steps:

Step 1. The individual or its representative fulfils the voluntary disclosure form (disclosing cash amounts or other registrable properties) and submits it with the Special Unit;

Step 2. The Special Unit verifies the accuracy of the aforementioned form and equips the applicant with a copy of the application;

Step 3. The applicant or its representative must:

- (i) In case the disclosed income is of monetary nature- deposit the amounts in a bank account; or
- (ii) In case the disclosed income/properties are of not of monetary nature- follow the registration process as per the applicable laws.

Step 4. The individual or its representative pays the tax obligation calculated as per the rates provided in the Draft Law.

Tax Alert

At the end of the process, within 20 days from the submission of the documentation, the individual must be equipped with the certificate of completion, certifying the finalization of the voluntary disclosure process.

Note: *The certificate of completion is related to disclosure process only and does not include the registration of properties with the competent authorities.*

2. Voluntary disclosure process for entities

Legal entities may re-disclose specific elements of their assets, liabilities or equity with the aim of ensuring a real, true and fair presentation of the financial statements.

The difference between the value of the re-disclosed elements of the financial statements and the current accounting value, with an increasing effect on income or capital, will be subject to applicable tax rates as provided by the Draft Law. These differences will not be considered for tax purposes; as such will constitute non-taxable income or non-deductible expenses.

The disclosure process in case of entities is the same as the one described above for individuals. The content of the disclosure form will be determined by Instruction of Minister of Finances.

What are the applicable tax rates?

The below tax rates will be applied in case of disclosed properties/income:

- 5% of the declared value, for disclosure and payments made in the first four months from the entry into force of the law;
- 7% of the declared value, for disclosure and payments made in the second four months from the entry into force of the law;
- 10% of the declared value, for disclosure and payments made in the third four months from the entry into force of the law.

What are the benefits of voluntary disclosure?

Individuals/entities will have the following benefits for disclosing their income / properties:

- Applicable tax liabilities are considered as settled in accordance with Albanian legislation;
- Exemption from the obligation of providing information in regards to the time, manner of creation, maintenance or possession of such income/properties;
- Exemption from investigative and administrative procedures related to the creation of the disclosed income/properties;
- Exclusion from prosecution and penal proceedings;

Tax Alert

- Exclusion from measures of sequestro or confiscation of properties subject to voluntary disclosure;
- Non- applicability of penalties and interests regardless the late disclosure of income/properties.

Note: *The above summary is based on the provisions of draft law "On fiscal and penal amnesty for entities that make voluntary declaration of property and income" which is currently in the process of public consultation and may change accordingly. In case of amendments, Mazars will notify you in the next tax alerts.*

Tax Alert

Contact

MAZARS ALBANIA & KOSOVO

For more details on the above or other issues in the fiscal area, please refer to:

Teit GJINI

Managing Partner
teit.gjini@mazars.al

Erinda XHAFERRAJ

Head of Tax Advisory Services
erinda.xhaferraj@mazars.al

Address

Str "Emin Duraku", Pall. Binjaket, Nr.5,
Tiranë, Albania

Tel: +355 4 2222 889

E-mail: info@mazars.al