

# Tax Alert

No. 1 – January 2020



## FISCAL PACKAGE 2020

The following tax alert prepared by Mazars fiscal experts, brings together a summary of the most important fiscal amendments included in the fiscal package 2020 in Albania.

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*Law No.9920, dated 19.5.2008 "On tax procedures in the Republic of Albania"*

The fiscal package provides the following additions:

- **Compensation of tax and customs liabilities**  
In some cases, despite being under the jurisdiction of two different institutions, tax and customs liabilities/credits can be offset between them. The specific application shall be determined by instruction of the Ministry of Finance.
- **VAT refund**  
The amount of approved VAT refund, can now be paid through installments; this upon taxpayer approval. Although the reimbursement will be in installments, the obligation toward the taxpayer will be considered as settled on time, and no late payment interest will be calculated.
- **Declaration of tax liabilities as uncollectable**  
Tax administration will set up special commissions to analyse the conditions for declaring taxpayers tax liabilities as "uncollectable". The declaration of tax liabilities as uncollectable will be made by the following order:
  1. For amounts up to ALL 1,000,000 the declaration shall be made by the Regional Tax Directorate;

2. For amounts from ALL 1,000,000 to 5,000,000 the declaration shall be made by the General Tax Directorate; and
  3. For amounts over ALL 5,000,000 the declaration shall be made by the Minister of Finance.
- **Forced collection of unpaid tax liabilities**  
The directories in charge of forced collection of unpaid tax liabilities, will be under the structure of the General Tax Directorate. Previous to this change, they were under the structure of the respective Regional Tax Directorates.

#### The fiscal package provides the following amendments:

- **On-site visits without prior notice**  
The latest amendments have legitimized the right of the tax administration in carrying out the following visits without prior notice:
  1. Registration of the taxpayer with the competent authorities;
  2. Timely use of fiscal equipment;
  3. Proper documentation of goods for storage, use and transportation;
  4. Proper documentation of any supply of goods or services; and
  5. Employee registration
- **Unpaid family members of self-employed taxpayers**  
If the tax administration following an on-site inspection, verifies persons over 16 years old as undeclared, it has the burden of proof to demonstrate that the aforementioned persons are unpaid family members of the self-employed. Prior to this change the burden of proof stayed with the taxpayer.
- **Sanctions for violation of fiscal procedures**  
The fiscal package has amended some of the sanctions imposed when failing to comply with the following tax procedures.
  1. Goods unaccompanied with the proper tax documents;
  2. Failure to register data of entities issuing invoices;
  3. Non-issuance of invoices; and
  4. Non-recipient of issued invoices

The amended sanctions consist of penalties, ranging from ALL 1,000-75,000.

The abovementioned additions and amendments are effective as of January 15<sup>th</sup>, 2020.

**Source:** Law No. 83/2019, dated December 30, 2019 "On some additions and amendments to Law No. 9920, dated 19.5.2008," On Tax Procedures in the Republic of Albania "; Official Gazette no. 184, dated December 31<sup>th</sup>, 2019.

**Note:** The aforementioned law has brought significant number of other changes aiming to align it to Law "On Invoice and turnover monitoring system", for which our experts are preparing a special tax alert.

**The fiscal package provides the following additions:**

- **Transfer of ownership rights within the family, through donations or waiving of rights, is now exempt from personal income tax**  
The transfer of ownership within the family (husband, wife, child), through donations or waiving of rights, is now exempt from personal income tax. This upon the condition that the transfer will occur only once toward a beneficiary,
- **Taxation of employees employed by more than one employer through annual tax return**  
Individuals employed by more than one employer, will use the personal annual tax return for declaring the salary earnings and calculate the related taxes. The general condition of having annual income more than ALL 2.000.000 per year in order to file an annual tax return, is not applicable in case of employees employed by more than one employer.
- **Increases to 3% of the annual turnover the extent of recognition as deductible expenses of representative expensive for the exporters**  
For exporters, who generated over 70% of their revenues from exports in the last 3 years, expenses incurred for participation and presentation at fairs or exhibitions, are recognized as deductible expenses up to the extent of 3% of the annual turnover. These amendments are not applicable for manufacturers working under inward processing scheme.
- **Exemption from changing the ownership procedure**  
The procedures specified under article no. 27/1 "Transfer of ownership", shall not apply in cases where change of ownership (of share capital, quotas, or voting rights) is subject to the provisions of ratified agreements for the avoidance of double taxation. The aforementioned article came into force in January 2019.

**The fiscal package provides the following amendemens:**

- **Corporate income tax rate decreases to 5% for automotive industry**  
The corporate income tax rate of entities operating in the automotive industry decreases to 5%. The Council of Ministers will define the activities, criteria and procedures for the implementation of this amendment.
- **Changes in the losses carried forward period for certain categories of taxpayers**  
For taxpayers investing in projects worth over ALL 1 billion, the period in which the losses can be carried forward is extended to five (5) years. The usual period for which losses could be carried forward is three (3) years.
- **Fiscal incentives for sponsorships in sporting activities**

Expenses for sponsorships of sport team's activity, carried by taxpayers with taxable profit higher than ALL 100 million, are deductible up to the triple amount of the sponsorship value. The aforementioned value of deductible expense cannot be carried forward in the upcoming fiscal period.

In order to benefit from this incentive, qualifying taxpayers must obtain special authorization from the General Tax Directorate, as well as carry out sponsorships in accordance with Law No. 7892, dated 21.12.1994 "On Sponsorships", as amended.

The above additions and amendments take effect on January 15<sup>th</sup>, 2020.

**Source:** Law No. 84/2019, dated December 30, 2019 "On some additions and amendments to Law No. 8438, dated 28.12.1998," On Income Tax ", as amended; Official Gazette no. 184, dated December 31, 2019.

## *Law No. 92/2014, "On value added tax", amended*

### **The fiscal package provides the following additions:**

- **Supplies with reduced VAT rates**  
6% reduced VAT rate applies to the supply of electric engine buses of nine plus seats, used as public passenger transport vehicles.
- **Supplies exempted from VAT**  
The following supplies are added to the list of VAT exempt supplies:
  1. Supply of construction services supplied by constructors authorized by the General Tax Director, within the reconstruction program and during the reconstruction period;
  2. Supply of services and goods towards authorized constructors, used by them for the purposes of reconstruction processes and within the reconstruction program; and
  3. Import of 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.

The procedures for the implementation of the above provisions shall be provided by special Decision of the Council of Ministers.

4. Supply of new engine motors vehicles, not previously registered in any other country.

### **The fiscal package provides the following amendemens:**

- **Moment of supply for reverse - charge invoices**  
In case of services received from foreign suppliers, for which the reverse charge scheme applies, the Albanian taxpayers must prepare the reverse-charge invoice within the 10<sup>th</sup> day of the month following the month in which the supply occurred. Prior to this change, the deadline for the preparation of reverse-charge invoice was the 14<sup>th</sup> day of the month following the month in which the supply occurred.

The above additions and amendments take effect January 15<sup>th</sup>, 2020.

**Source:** Law No.92 / 2019, dated December 30, 2019 "On some additions and amendments to Law No. 92/2014," On Value Added Tax in the Republic of Albania "as amended; Official Gazette no. 184, dated December 31, 2019.

**Note:** The aforementioned law has brought a number of other changes aiming the alignment with Law "On Invoice and turnover monitoring system", for which our experts are preparing a dedicated information bulletin.

*Law No. 9975, dated 28.7.2008, "On national taxes", as amended*

**The fiscal package provides the following additions:**

- **Specifications for vehicles classified as "Luxury Vehicle"**  
For purposes of the "Luxury Vehicle" classification, the value of vehicles is depreciated annually at 10% of the residual value. In case of vehicle sale, for classification purposes, the value of sale, cannot be less than the net book value, calculated as per the above depreciation method.

**The fiscal package provides the following amendemends:**

- **Changes on the calcualtion of penalties for annual vehicle tax**  
The calculation of penalties for late payment of annual vehicle tax, changes from 5% of the unpaid liability for each month of delay (not more than 25%), to 0.06% of the unpaid liability for each day of delay (not more than 365 days).

The above additions and changes take effect January 15th, 2020.

**Source:** Law No.86 / 2019, dated December 30, 2019 "On some additions and amendments to Law No.9975, dated 28.7.2008," On national taxes ", as amended; Official Gazette no. 184, dated December 31, 2019.

## **CONTACT**

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