

Tax Alert

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Mazars fiscal experts in Albania, have prepared a summary of the novelties introduced by Law no. 87/2019 "On Invoice and Turnover Monitoring System" (Law on Fiscalization) and the steps to be followed by the taxpayers in order to be considered as compliant.

What is fiscalization?

"Fiscalisation" means a series of measures, executed by the taxpayers, aiming to enable efficient control of cash turnover or cashless payment and of the movement of goods, through the implementation of a central information system, monitored by the tax administration.

A schematic representation of the fiscalisation process is provided in the end of this tax alert.

Who is affected by this law?

- a) all taxpayers issuing invoices in accordance with law on Value Added Tax:
 - i. taxpayers subject to corporate income tax
 - ii. taxpayers subject to simplified corporate income tax (i.e. small businesses)
 - iii. non-profit organizations, project implementation units, central and local public authorities, political organizations and other similar institutions
 - iv. non-resident taxpayers, for the supply of services performed in the Republic of Albania, through a tax representative.
- b) public bodies
- c) banks, non-bank financial institutions and other entities providing electronic bill payment services.

** The applicable rules for issuing an invoice are in accordance with the current legislation. Based on the category of the taxpayer and the typology of transaction, it may be:*

- a) VAT invoice
- c) Simple invoice
- d) Electronic invoice (as per the authorization of General Tax Directorate)
- e) Accompanying invoice

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The entities performing the following transactions are excluded from the obligation of issuing fiscal invoices (in accordance with the current legislation):

- i. insurance, reinsurance and intermediary services in the area of insurance and reinsurance;
- ii. granting and negotiation of loans;
- iii. negotiation or any other loan guarantee agreement;
- iv. foreign exchange transactions, including negotiation services to those related;
- v. transactions with currency, banknotes or other legal payment means, including the negotiations to those related;
- vi. transactions related to the sale/purchase of shares, bonds and other securities, including their negotiation, but not their management or safekeeping;
- vii. management of investment funds.

What should taxpayers do?

All taxpayers obliged to issue fiscal invoices, must be equipped with a software system that enables the use of a certified software solution and the preparation and submission of the electronic invoice. The list of software solution providers will be published shortly.

In addition to the above, taxpayers engaged in retail and generally in cash payment transactions are obliged to install a printer, in case the latter is not part of the electronic invoicing system.

Fiscalisation at a glance

Step I: Registration of the taxpayers in the central register of taxpayers issuing electronic invoices

- Taxpayers, registered as active taxpayers, on the date of entry into force of this law, shall automatically be registered in the central register of taxpayers issuing electronic invoices;
- Taxpayers who will be registered in the National Business Centre or passing from passive to active register, after the entrance into force of this law, will be automatically registered in the central register of taxpayers issuing electronic invoices as well;

Step II: Registration of the place of business and of the electronic invoicing system

After the abovementioned registration, the taxpayer must submit no later than 24 hours before the issuance of the first invoice, the following documentation through the central invoicing platform.

1. For the registration of the place of business

- the taxpayer unique identification number;
- the trade name of the taxpayer, if any;
- the address;
- the type of place of the business activity;
- the type of activity it performs at the place of the business activity;
- daily working hours and weekdays, working on official holidays;
- date of commencement of business activity for this place of business;
- the closing date of the business activity for this place of business, including the dates of temporary disruption, where applicable;
- the surface of the place where the business is conducted, where possible;
- the payment methods accepted for the supply of goods or services (cash and / or no cash);
- the status of the place of business activity;
- the name of the internet provider;

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- indication if the place of the business activity is owned or rented.

Upon submission of the required documentation, the tax administration information system generates the code of the place of the business activity.

2) Information required for each component of the electronic invoicing system

The taxpayer submits through the central invoicing platform the information for each of the components of the electronic invoicing system. Within 24 hours (considered the testing period), the tax administration information system generates the code of the electronic invoicing system of the taxpayer.

** Note: Taxpayers equipped with fiscal devices functionable prior to the entry into force of this law may continue their usage, provided that they complement it with a dedicated software, allowing the interface of the fiscal device with the entire invoicing system.*

Step III. Operators registration

The taxpayer must submit the information for each operator (i.e. the individual who compiles and issues invoices through the electronic invoicing system) no later than 24 hours prior to the issuance of the first invoice. The information required consist of the taxpayer unique identification number and of the operator name / surname.

If the operator is a company providing tax or accounting services (i.e. the finance department is outsourced to third parties), the taxpayer in addition to its unique identification number, must submit the unique identification number of the company providing the aforementioned services as well.

**In the end of the registration process, the taxpayers will be equipped by an electronic certificate which will be issued by AKSHI. The tariff for such certificate will be established by Decision of Council of Ministers.*

Invoice issuance rules

a) Invoicing process for cash payments

Cash payments invoicing rules (transactions Business to Costumers), are in line with the provisions of the current legislation.

The only change brought by the new law stays with the fact that the invoice has undergone to fiscalisation process and has been provided with a unique invoice identification number ("NIVF"), before printed and submitted to the customer. The fiscalisation process is performed through the software solution.

b) Invoicing process for non-cash payments

The invoicing of goods and services in non-cash supplies (transactions business to business) is performed in line with the current legislation.

The only change brought by the new law is the fact that the invoice before being submitted to the buyer, has undergone to the fiscalization process. The seller after compiling the invoice through the software, sends it for verification to AKSHI (the delivery is performed on real time). After confirming the regularity of the invoice, AKSHI equipes it with NIVF and returns it to the seller, in order for the latter to proceed with the invoice issuing process.

Based on data submitted with the central register centre, the tax administration system will automatically generate the VAT books of the period for the taxpayers.

The taxpayers must review the aforementioned books within the 10th day of the month following the month in which the transactions took place. After confirming the accuracy of the registered invoices, it proceeds with

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their declaration.

Fiscalization procedure in areas without internet coverage

Taxpayers, subject to the newly introduced law, operating in areas where the establishment of internet connection is not possible, will still have to issue the invoices in accordance to Law on Fiscalisation, but are exempt from the responsibility of transmitting them to AKSHI.

Nonetheless, the aforementioned taxpayers must have the electronic invoicing system in place and must submit the monthly invoices to the tax administration in order for the later to manually equip those with the NIVF.

Entry into force

The timetable of the entry into force of Law on Fiscalisation is provided below:

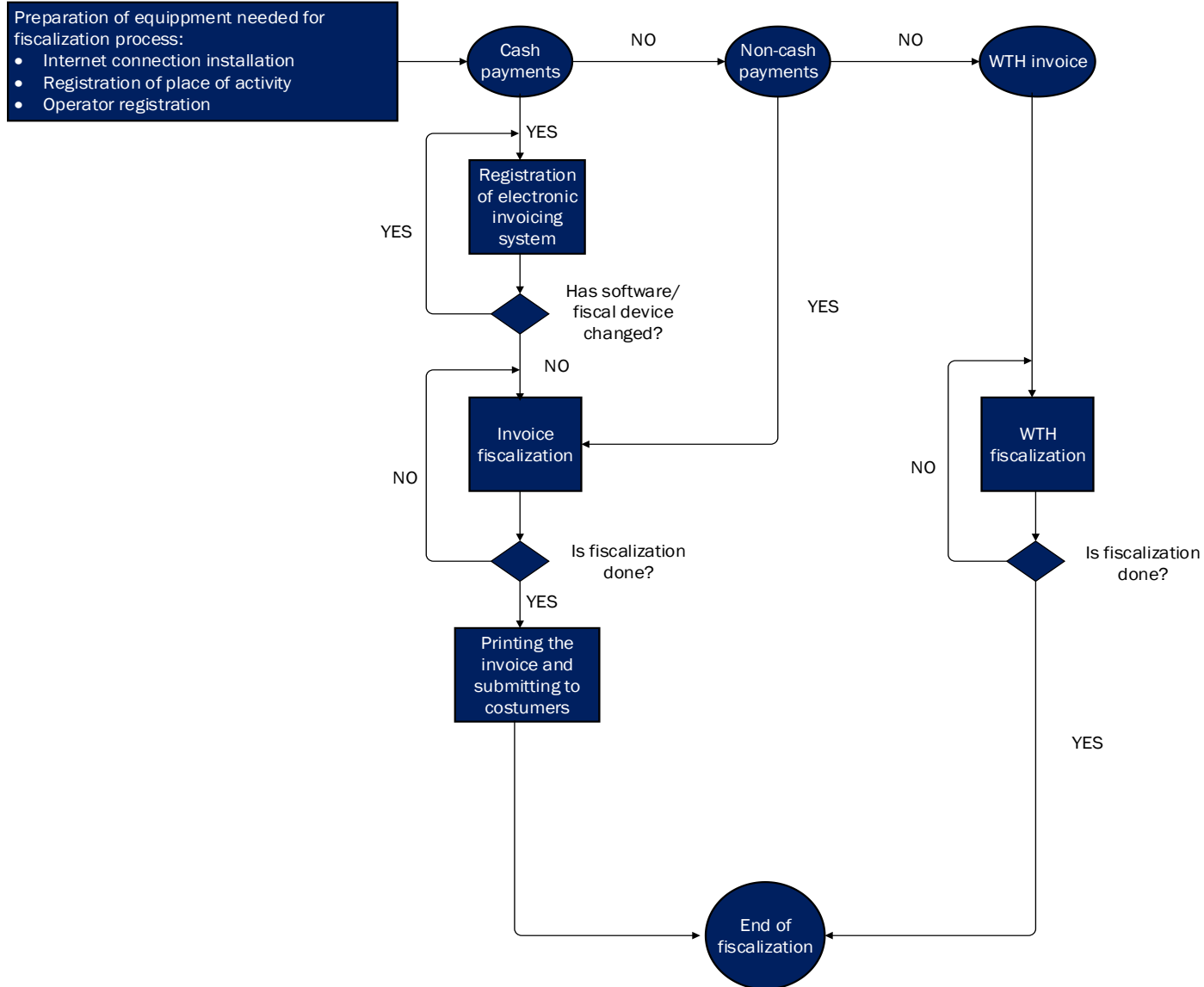
Type of transaction	Category	Applicability
Cash	Taxpayers with turnover above ALL 8 million	1 September 2020
	Taxpayers with turnover from 2 to 8 million ALL	1 January 2021
	Taxpayers with turnover up to ALL 2 million	1 January 2021
No cash	Transactions business to governance	1 January 2021
	Transactions business to business	1 July 2021

Source: Official Gazzette No. 3, dated 20.01.2020, Law no. 87/2019 "On Invoice and Turnover Monitoring System".

Note: This tax alert aims to present the main novelties brought by Law on Fiscalisation. Details and specifications in regards to its applicability will to be provided through instruction of the Minister of Finances.

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Scheme 1. Fiscalisation Process



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