



Tax Changes 2019

Tax News Albania

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Tax Changes - 2019

A Summary on tax amendments effective from 2019 in Albania



TAX PROCEDURES

Amendments made in the Law “On Tax Procedures in the Republic of Albania”, as amended.

Transactions performed with tax entities in the passive register

Any transaction by active taxpayers, performed with taxpayers in the passive register, is considered an administrative violation and is punished as follows:

- Seller (active taxpayer) - fine of ALL 10,000 for each completed transaction;
- Buyer (passive taxpayer) - tax liability plus 100% fine.

The central tax administration publishes on the GDT official website and update daily the list of taxpayers who are in the passive register.

Alternative assessment methods

In determining the tax liability, the tax administration has the right to use alternative methods of transaction valuation in cases where:

- a) the transactions performed by the taxpayer deform the principles of tax law;
- b) the transactions are not based on the arm's length principle;
- c) the transactions are without substantial economic effects;
- d) the form of the transaction does not reflect its economic essence;

e) there are evidenced elements of transactions aimed at avoiding or reducing tax liabilities.

Payment of tax liability, subject to appeal

The payment or the placement in a bank guarantee for interests, will no longer be a condition for appealing a tax assessment notice to the Tax Appeal Directorate/ Tax Appeals Review Commission.

Before this change, interest along with any additional liability should have been paid or set as a bank guarantee, prior to the appeal of the notice of assessment.

Incorrect statement of credit balance

From January 1, 2019, the revaluation by the tax administration in a lower amount of the credit balance will be subject to a fine of 20% for the difference between the credit balance declared and that revalued by the tax administration.

Penalties for not disclosing ownership changes as per the requirements of the Law “On Income Tax”

Penalties ranging from 5 to 15% of the market value of assets subject of property change, are applied for not notifying the tax administration on any ownership changes in accordance with the Article 27/1, “Property Change”, of the Law “On Income Tax”.

INCOME TAXES

Tax on dividend and profit distributions

The rate of tax on dividends/ profit distributed to shareholders/ owners is made 8%.

This tax rate is applicable for Albanian resident companies, on undistributed profits on retained earnings of the year 2018 and on previous years, including reserves and other profits, provided that:

- i) Tax on dividends deriving from undistributed profits (retained earnings) up to end of 2017 is paid within 30.09.2019; whereas
- ii) Tax on dividends deriving from the profit of 2018 is paid within 20.08.2019.

Personal income tax on employment income

The upper limit of employment income taxable at 23% is increased from 130,000 ALL/month to 150,000 ALL/month. The new scheme of personal income tax on employment income changes as follows:

Taxable employment income (ALL/Month)	Income tax rate
0 - 30,000	0%
30,000 – 150,000	+13 % of the amount over ALL 30,000
150,000 – and above	ALL 15,600 + 23% of the amount over ALL 150,000

Additions on the existing provisions

Are considered as revenues sourced in the Republic of Albania, the following:

- Revenues from the ownership on unremovable properties, aksesoret and thier products, as well as the revenues from other rights derived from this ownership, provided that such properties are in the territory of the Republic of Albania;
- Revenues generated from the transformation of ownership and rights deriving from properties mentioned above;
- Revenues of an non resident person, derived from the services performed to a resident person.

“As of January 1.st 2019 the income tax rate for the taxpayers whose annual turnover will range from ALL 8 to 14 million will become 5%.”

Article 27/1 “Property change” is added

If during a tax period the direct and/or indirect ownership of the share capital, quotas, or voting rights of a legal person, that for the predecessor years has realized annually as average ALL 500 million, changes by more than 20% in value or in number of shares, the legal person is considered as selling a proportional share of all its assets, calculated on their value before the change occurred. The legal entity is treated as:

- a) The recipient of the proceeds from a sale, equal to the proportional share of the market value of the asset at that time; and
- b) Repurchaser of asset for the same amount.

When a legal person pays profit tax, any change of ownership of shares or similar interests that cause the change, is exempt from profit tax.

A legal entity subject to ownership changes, must notify the tax authorities with the details of the change within 45 (forty-five) days from the time the change occurred. In case of failure of doing such, the legal entity will be facing penalties.

Additions to the category unknown of “Non-deductible Expenses” (article 21):

- Per diem allowances exceeding 50% of the personal gross annual salary.

Article 30/1 “Income Declaration and payment by specific non resident persons”:

- An non resident person is required to prepare and file an annual income declaration, in accordance with the Ordinance of the Minister of Finance.

Small Business profit tax

From 1 January 2019 the income tax rate for the taxpayers whose annual turnover will range from ALL 8 to 14 million will become 5%.



VALUE ADDED TAX

In the category of “VAT reduced-rate transactions”, the following have been added:

- The supply of advertising services by any audiovisual media is made 6%;
- The supply of public passenger transport vehicles of ten or more seats, that use only an electric motor is made
 - 6% until 31 December 2021
 - 10% from 1 January 2022;
- The supply of books of any kind is made 6%.

In the category of “Exclusion of some activities of general interest” the following have been added:

- The supply of agricultural machines, agricultural inputs and supplies of some veterinary services. The list of agricultural machines that benefit from exemption are determined by a government decision.

In the category of “Special Exceptions to Import”, the following supplies have been added:

- The import of raw materials performed by authorised producers and to be used on drug production activities (excluding dual use) is a now VAT exempt supply. The list of aforementioned raw materials is determined by decision of the Council of Ministers.

In the category of “Exports”, there have been changes to the following supplies:

- The supply of the processing services destined to be re-exported, by authorized taxable persons and their subcontractors for operations under the active processing procedure, will be treated as exports and % VAT rate will be applied.

EXCIZE TAX

Additions in existing provisions

- As of January 1st, 2019, products classified as “shredded tobacco” will be traded only with a fiscal stamp. Therefore, the fiscal stamp will be applied to this category of products;



- The import and production of the cigarette paper is allowed only by tobacco processing units which are equipped with complete cycle processing line, packing capabilities, producing cigarettes in market-ready form.
- Importimi dhe prodhimi i letrës së cigareve do të kryhet vetëm nga subjektet grumbulluese-përpunuese të duhanit të cilat janë të pajisura me linja me cikël të plotë përpunimi dhe paketimi për tregtim.

SOCIAL AND HEALTH INSURANCE CONTRIBUTIONS

Minimum wage

The Council of Ministers adopted the decision “On determining the minimum wage at national level” whereby the minimum wage required to be applied from January 1st 2019, is ALL 26,000 whereas the maximum salary for social contribution is increased to ALL 114,670.



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