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I. Instruction “On VAT” no. 6, dated 30.01.2015

The Instruction “On VAT” was published in the Official Gazette no. 12, dated 06.02.2015, and is effective as of 01.01.2015 (retroactively).

For easier exploration of the new regulations, we have prepared and inserted at the beginning of the Law and Instruction a table of contents.

Download the indexed VAT Law in this [link](#).

Download the indexed VAT Instruction further elaborated and formatted by Deloitte Albania in this [link](#).

II. Decision “On the implementing provisions of the Law on VAT” no. 953, dated 29.12.2014

This Decision, published in the Official Gazette no. 200, dated 31.12.2014, and effective as of 01.01.2015, defines:

- The criteria for exemption from VAT of the activities of non-for-profit organizations;
- The right to opt for application of VAT on building rentals and related procedures;
- The list of machineries and equipment directly related to investment, that obtain exemption from VAT on import, the related criteria and procedures;
- The categories of economic operators involved in inward processing and agriculture sectors;
- The categories of exporters entitled to VAT reimbursement;

- The VAT registration threshold, which remains unchanged and amounts to 5 million ALL (approximately 35,700 EUR). The threshold is not applicable for non-resident entrepreneurs as well as for several categories of independent professions (e.g. lawyers, notaries, architects etc.).



III. Amendments to the Instruction “On Income Tax” no. 5, dated 30.01.2006

These amendments were published in the Official Gazette no. 206, dated 08.01.2015, becoming immediately effective. The amendments reflect the Fiscal Package 2015 (please refer to our [Tax News on the Fiscal Package](#)). Below, we have summarized the most relevant topics:

Individual taxation

- The Annual Declaration Form included in the Instruction is the same for both, Albanians and foreigners (there were two separate forms so far). The new form reflects the new rate of 15% on all income categories (except for employment income), the reduced list of deductible expenses allowed for residents, the right of credit of income tax paid abroad by residents, etc. Please contact us for further details and we would be happy to help with the compliance of the Annual Declaration Form.

Corporate taxation

- 31 March of the following year is re-confirmed to be the deadline for submission of the Annual Corporate Income Tax Declaration, together with the financial statements and the external auditor’s opinion (for the companies subject to mandatory statutory audit of their annual financial statements, specified in the Law “On Legal Auditing and Organization of Chartered Accountant Profession” no. 10091, dated 05.03.2009);

- The Tax Assessment Notification determining the amount of the monthly Corporate Income Tax prepayment instalments for the period April-December of the current year and January-March of the next year, should be sent by the tax authorities to the taxpayers within 30 April of the current year. These instalments should be paid by the taxpayer either on a monthly basis (within the 15th of the current month) or on a quarterly basis (within 30 March, 30 June, 30 September and 30 December respectively);

- The taxpayer has the right to request a reduction of the Corporate Income Tax instalments assessed by the authorities, at any time during the year, if the Corporate Income Tax of the current year is expected to be significantly lower compared to that of the previous year. Some of the facts listed as necessary to document in order to support this request are:

- Significant reduction of sales during the current year compared to the previous two years;
- Termination of sales agreements and lack of any new ones covering the remaining months of the current year;
- Force major or other damages occurred which affect the level of activities of the taxpayer;
- Closure of lines of services or production, massive redundancy of employees, etc.

- In case the reduction of the instalments has been accepted by the tax authorities and the annual Corporate Income Tax results 10% higher than the total of the instalments paid during the year, the taxpayer is obliged to pay a fixed penalty of 5% on the difference.
- It is now explicitly mentioned that, when calculating the final Corporate Income Tax liability, taxpayers are entitled to deduct foreign income tax paid in countries with which Albania has Double Tax Treaties (in accordance with the provisions of these Treaties and of the Instruction “On Double Tax Treaties” no. 6, dated 10.02.2004).

IV. Decision “On mandatory contributions and benefits from social and health insurance” no. 88, dated 28.01.2015

This Decision has been published in the Official Gazette no. 9, dated 03.02.2015, and is effective as of 01.01.2015 (retroactively). This decision replaces all the following Decisions:

- Decision “For the Collection of the Mandatory Social and Health Contributions” no. 9136, dated 11.09.2003, as amended;
- Decision “For some Implementation Issues of the Law on Social Insurance” no. 1114, dated 30.07.2008, as amended; and
- Decision “For the Mandatory Health Insurance” no. 10383, dated 24.02.2011, as amended.

Exemption of foreign employees from mandatory social insurance

One of the most relevant changes brought by this Decision for the practice consists in the new rules for exemption from the mandatory social insurance of:

- Foreign individuals employed in foreign entities (not obliged to register for tax purposes in Albania), who enter in Albania to work in a qualified service/job, based on a service agreement concluded with an entity registered in Albania for tax purposes, provided that such entity is not a branch or subsidiary of the foreign contractor. The period of stay and service should be in accordance with the provisions of the Law “On Foreigners” no. 108/2013 dated 28.03.2013;
- Foreign individuals employed in foreign entities (not obliged to register for tax purposes in Albania), who are seconded in Albania to carry out a certain job/service, based on a contract concluded between the foreign employer and an entity registered in Albania for tax purposes, which is not a branch or subsidiary of the foreign contractor, provided that the following criteria are met:
 - there is a Double Tax Treaty in place between Albania and the country of the foreign entity;
 - the requirements of the Law “On Foreigners” no. 108/2013, dated 28.03.2013 are met;
 - tax obligations arising from the provisions of the Law “On Tax Procedures” are fulfilled;
 - the contracting entity registered with the Albanian tax authorities requests from the foreign employer, on a quarterly basis, a document certifying payment of social contributions in the foreign country, confirmed by the responsible authorities, as well as a list of the seconded employees.

Exemption of foreign employees from mandatory health insurance

- Individuals with no permanent dwelling in Albania, who are economically active (employed or self-

employed) and/or earn regular income from movable and immovable property, are exempt from the mandatory health insurance in Albania.



V. Decision “On mandatory electronical submission of tax declarations and tax documents” no. 922, dated 29.12.2004

This Decision, published in the Official Gazette no. 210, dated 13.01.2015, and becoming immediately effective, provides:

- The list of ‘tax declarations’ (e.g. payroll, VAT, CIT, SHC, PIT, WHT declarations, etc.) distinguishing these from the ‘tax documents’ (e.g. VAT purchases book and sales book, annual financial statements, decision of the general assembly for approval of the financial result, etc.);
- That, starting from 01.01.2015 and onwards, tax declarations and tax documents should be submitted only through electronic form, within the deadlines imposed by the respective laws;
- That, the identification number for the employees included in the payroll should be the ID card number for Albanian employees and the insurance number (or, in its absence, the passport number) for foreign employees.

VI. Decision “On the implementing provisions of the Customs Code” no. 919, dated 29.12.2014

This Decision was published in the Official Gazette no. 200, dated on 31.12.2014, and is effective as of 01.01.2015. Below, we summarize few relevant provisions:

- The right of customs authorities and the procedures applicable for the seizure and control of documents, ledgers, electronic data and equipment and any

other relevant commercial and fiscal material at the economic operators' premises, in case of suspicions of infringements against the provisions of the Customs Code;

- The procedures for obtaining the 'authorized economic operator' certificate; the advantages and facilities attributed to it; the validity and its legal effects;
- Customs declarations forms, content and purpose; standard, simplified and additional declarations applicable depending on the customs regime;
- Procedures for simplification of the calculation of customs duties for consignments made up of goods which fall under different tariff classifications;
- Special exemptions from customs duties for certain imports e.g. goods with negligible value imported by individuals (less than 150 EUR for a delivery); gifts (less than 45 EUR for a delivery); goods in the personal luggage of the traveler (less than 430 EUR for air and sea travelers, less than 300 EUR for other travelers); educational, scientific and cultural materials; samples and promotional materials with negligible value aiming to promote the import of related goods; etc.;
- The collaboration and exchange of information with other institutional authorities; etc.

VII. The new Combined Nomenclature Codes of Goods for 2015

The Combined Nomenclature Codes of Goods, effective as of 01.01.2015, has been published in the Official Gazette no. 199, dated 31.12.2014 (please follow this [link](#)).

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