

# Amendments and Additions to the Albanian Tax Legislation

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**KPMG's Tax News outline and highlight legislative changes and trends in the area of tax.**

In December 2015, the Albanian Parliament approved certain additions and amendments to the current tax legislation which are effective from 1 January 2016. They impact areas such as excise duty, health and social insurance contributions, local and national taxes and gambling. The main amendments and additions consist of the following:

## Amendments and additions to the Law on Excise Duty

### Reimbursement of excise duty

Excise duty is not to be reimbursed for oil derivatives used by entities during the exploration phase or during the exploitation of oilfields.

### Exemption from excise duties

Tobacco produced by private individuals and used for personal consumption shall not be subject to excise duty. The quantity of tobacco produced which may benefit from the excise duty exemption is not to exceed 25 kg per year.

### Seizure of transport vehicles

Vehicles used for transportation of excise goods which do not bear the excise/fiscal stamp shall be seized by the customs authorities and can then be confiscated based on a court decision. The vehicle shall not be subject to seizure if it is proved that the owner is not involved in the breach which occurred.

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## Fuel markers

The approved amendments provide for penalties, in addition to criminal prosecution and goods confiscation, if the markers of the oil derivatives have not been used or have not been used in the required quantities. Such penalties vary from 2 to 5 times of the tax liability due for any unmarked product. However, such a penalty shall not be less than ALL 200,000 for the first breach. Any subsequent breach will be penalized by penalties varying from ALL 500,000 – ALL 1,000,000. In special cases the penalty may be even higher.

The manipulative intervention in fuel markers shall be subject to a penalty of ALL 1,000,000.

## Surveillance cameras

Taxpayers having the status of an Approved Depository are to install security camera systems in order to enable supervision and investigation by the customs authorities. The approved depository guarantees the transmission and the image storage in line with the time limits specified by the customs authorities. In case of any investigation procedure or a court case initiated toward the depository, such images will be stored until the investigation and/or trial is concluded.

## Amendments of excise duty on excise products

The table below shows the excise duty applicable to certain excise products as of 1 January 2016.

Product	New excise duty	Previous excise duty
Beer (more than 200,000 HL/y)	ALL 400/HL	ALL 360/HL
Beer (more than 200,000 HL/y)	ALL 600/HL	ALL 710/HL
Cigarettes that contain tobacco	ALL 5,500/1000 cigarettes from 1 January 2016	ALL 6,000/1000 cigarettes from 1 January 2016
	ALL 6,500/1000 cigarettes from 1 January 2017	ALL 6,500/1000 cigarettes from 1 January 2017
Other processed tobacco and its substitutes	ALL 4,400/kg from 1 January 2016	ALL 5,100/kg from 1 January 2016
	ALL 5,800/kg starting from 1 January 2017	ALL 5,800/kg starting from 1 January 2017

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## Amendments and additions in relation to mandatory social and health insurance

### Salary for the purpose of calculating mandatory social and health insurance contributions for self-employed individuals

The salary of *self-employed* individuals engaged in certain specific activities which require a special permit or license shall be determined by taking into consideration the activity performed, the number of employees employed, the area where the economic activity is performed, experience, etc. The minimum reference salaries for professionals such as engineers, doctors, dentists, lawyers, accountants, public notaries is determined through a Decision of the Council of Ministers and it varies in the range of ALL 41,250 –

ALL 88,800 per month. The minimum reference monthly salary is discounted by 30 percent in first three years of exercising the activity and then by 15 percent in the next three years.

### Self-employed pensioners

The self-employed pensioners (working on their own with no employees) who receive a pension and at the same time exercise a private economic activity do not have the obligation to pay social and health insurance contributions.

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## Amendments to the Law on Local Taxes

### Exemptions and reduction of the tax on small businesses

Taxpayers having an annual turnover of less than ALL 5 million shall be exempt from the tax on small businesses. Taxpayers with an annual turnover between ALL 5 million and ALL 8 million shall be subject to a simplified income tax on small business at a 5 percent rate. Previously, taxpayers having an annual turnover of less than ALL 2 million were subject to a fixed tax amount of ALL 25,000 per year, while taxpayers having an annual turnover from ALL 2 million to ALL 8 million were subject to a 7.5 percent tax rate.

### City tax

According to the new provisions, the city tax will be calculated based on the number of the nights accommodated as per the table below. Previously, the city tax was up to 5 percent of the accommodation price

Product	Zone I	Zone II	Zone III
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	ALL/night	ALL/night	ALL/night
4 – 5 star hotels	350	175	105
Guesthouse, motel and any other accommodation as per the definition of the Law on Tourism	140	70	35

### Infrastructure tax

Infrastructure tax levied on the sale of buildings constructed only for residential purposes or as service units shall amount to between from 4 percent to 8 percent of the sales price per square meter.

Meanwhile, the infrastructure tax applied for buildings used for other purposes shall continue to vary in the range of 1 – 3 percent of the investment value (for the municipality of Tirana the applicable range is 2 – 4 percent).

### Tax on immovable property

Individuals, owners or users of an immovable property (i.e. building, agricultural land or non-agricultural land), shall be subject to the tax on immovable property. Moreover, individuals who are users but not owners of an immovable property need to self-declare the property under use to the relevant local authorities (i.e. where the immovable property lies/is positioned) and pay the tax on this property.

### Annual tax on land plots

The Law provides for a new tax which is an annual tax on land plots and shall be expressed as a fixed amount per square meter depending on the zone and the purpose of its use (i.e. for residential or business purposes). The four categories of the annual land plot tax depending on the zone and their purpose of use, are as per the table below:

	ALL/sq m/year for residential purposes	ALL/sq m/year for business purposes
Zone I	0.56	20
Zone II	0.42	18
Zone III	0.28	15
Zone IV	0.14	12

### Tax on the occupation of public spaces

The tax on the occupation of public spaces is changed to ALL 60/m<sup>2</sup> only for the cities of Shkodra, Kavaja and Lezha. Previously, the tax amounted to ALL 90/m<sup>2</sup> for these cities.

### Tax on buildings

According to the changes, there shall be a new annual tax on

buildings used for production activities. Based on the new territorial organization, the tax applicable for these types of buildings as per the three zones shall amount respectively to ALL 200/m<sup>2</sup>, 150/m<sup>2</sup> and 100/m<sup>2</sup>.

### **Billboard tax**

The tax on billboards used for advertising purposes shall be determined based on the type (i.e. electronic or non-electronic) of the billboard used by the taxpayer. The level of taxes based on the type of billboard used varies from ALL 13,500 – ALL 90,000 per square meter.

The annual tax for billboards used for identification purposes smaller than 2 square meters shall be ALL 0, while for bigger surfaces the applicable tax is ALL 45,000 per square meter.

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## **Amendments to the Law on National Taxes**

### **Insurance premiums**

The tax applicable to written insurance premiums excluding premiums for life, health and green cards insurance shall be 10 percent of the amount of the written insurance premium. Previously, the tax rate was 3 percent.

### **Tax on luxury cars**

According to the Law, a luxury car is considered to be a 4 + 1 seats car which fulfills at least one of the following conditions: an engine volume equal or greater than 3,000 cc or has a price equal to or greater than ALL 7,000,000. The luxury cars shall be subject to a registration tax amounting to ALL 70,000, while the annual tax on usage of such cars shall amount to ALL 21,000. Differently from other taxes, the penalty applicable for the late payment of such a tax is 5 percent of the outstanding tax liability for each month of delay, however, not exceeding 25 percent of the liability.

### **Royalty tax calculation**

Under the amendments, the royalty tax shall be expressed not only as a percentage but as a fixed amount per unit in some cases. Previously, it was expressed only as a percentage of the wholesale price.

Such a change affects the royalty tax applicable to groups III and IV of minerals as per Annex No. 2 to the Law: Third Group - Cobbles and Bitumen, Fourth Group - Minerals and Metals related to construction. The royalty tax applicable to the above-mentioned groups is expressed as a fixed amount per unit. The tax for other groups will be calculated as a percentage on the wholesale price.

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## **New Law on Gambling in the Republic of Albania**

A new law on Gambling is approved by Law No. 155/2015 dated 21

December 2015 aiming to further regulate and reduce gambling activity in Albania.

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## Entry into force

- Law No. 140/2015 dated 17 December 2015 on amendments and additions to the Excise Duty Law
- Law No. 141/2015 dated 17 December 2015 on amendments and additions to the National Taxes Law
- Law No. 142/2015 dated 17 December 2015 on amendments and additions to the Local Taxes Law
- Law No. 143/2015 dated 17 December 2015 on amendments and additions to the Law on the Collection of Mandatory Social and Health Insurance Contributions
- Law No. 144/2015 dated 17 December 2015 on amendments and additions to the Social Insurance Contributions

The above Laws entered into force after their publication in the Official Gazette and are binding from 1 January 2016, unless otherwise specified in any specific law.


Law No. 155/2015 dated 21 December 2015 on Gambling in the Republic of Albania was published in the Official Gazette No. 251 of 20 January 2016 and enters into force 15 days after its publication date.


Decision of the Council of Ministers No. 37 dated 21 January 2016 is published in the Official Gazette No. 9 dated 29 January 2016. This Decision enters into force after its publication date.

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