



Investing in Albania

An overview of the current
tax system | 2018



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Investing in Albania. An overview of the current tax system.

The current developments within Central and Eastern European countries are accompanied by ongoing changes in tax systems. For investors, this means numerous new developments to take into account.

TPA's CEE Country Series covers 11 Central and South Eastern European countries, and gives an overview of the business environment and the most important new developments, including:

- Different types of business organisations, and their most important features
- Key details of corporate and personal income tax and VAT in each country
- Current tax allowances, reliefs and concessions
- Core provisions of double taxation agreements

In the TPA-Country Series there are booklets on Albania, Austria, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia. Visit our website www.tpa-group.com, for detailed information and updates, or subscribe to our electronic newsletter at service@tpa-group.com

The information in these folders is based on the present legal situation and current administrative practice, and is therefore subject to change. The information is general in nature, and of necessity abridged: the booklets are not a substitute for individual, specific advice.

Our CEE experts will be happy to answer your questions in more detail.

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Types of organisation

	<i>Name in local language</i>	<i>Registrable in commercial register / legal entity</i>	<i>Minimum capital</i>	<i>Sole shareholder company</i>
Limited liability company	Shoqëri me përgjegjësi te kufizuar (Shpk)	yes / yes	approx. EUR 1	yes
Private Joint Stock company Public Offer Joint Stock company	Shoqëri aksionare (Sha) me oferte private Shoqëria aksionare (Sha) me oferte publike	yes / yes	approx. EUR 26,000 approx. EUR 75,000	yes no
General partnership	Shoqëritë Kolektive	yes / yes	no	no
Limited partnership	Shoqëri komandite	yes / yes	no	no
Registered branch office and Representation office	Degët dhe zyrat e përfaqësimit të shoqërive të huaja	yes / no	no	n / a
Joint Venture	Shoqëri e thjeshte	yes / yes	no	no

	<i>Capital tax / registration fees</i>	<i>Written form / notarization</i>	<i>Tax transparency</i>	<i>Registration with tax authorities</i>	<i>Statutory audit (revenues more than EUR 752,000, total assets more than EUR 376,000, more than 30 employees)</i>
Limited liability company	no / registration in commercial register	yes / yes	no	yes	if two of the above statutory thresholds are exceeded accordingly for two consecutive years
Private / Public Offer Joint Stock company	no / registration in commercial register	yes / yes	no	yes	obligatory
General partnership	no / registration in commercial register	yes / yes	no	yes	no (if no individual has unlimited liability; yes, if above statutory thresholds are exceeded)
Limited partnership	no / registration in commercial register	yes / yes	no	yes	no (if no individual has unlimited liability; yes, if above statutory thresholds are exceeded)
Registered branch office and Representation office	no / registration in commercial register	yes / yes	no	yes	as part of any audit of the parent company
Joint Venture	no / registration in commercial register	yes / yes	no	yes	if two of the above statutory thresholds are exceeded accordingly for two consecutive years

Exchange rate: EUR 1 = ALL 132.95 (rounded) 31.12.2017

Corporate income tax

Tax rate		
	Corporations	15% flat rate in general. Exemption apply for certain industries.
	Small and medium-sized businesses	
	Annual turnover between ALL 5 million and ALL 8 million	5%
	Annual turnover up to ALL 5 million	0%
Tax liability		Commercial companies, permanent establishments
Financial year		Accounting exercise begins on 1 January and ends on 31 December. Exemptions for specific activities, with the proposal of the National Accounting Council, approved by the Council of Ministers.
Accounting		Is regulated based on the Accounting Law. Listed companies, financial institutions and certain other companies are required to apply IFRSs. All other companies as specified by Albanian Accounting Act are required to use National Accounting Standards (in line with IFRS for SME).
Loss set-offs / carry forwards		Tax losses can be carried forward for three consecutive years. However, if a change of more than 50% in the entity's ownership occurs, the remaining tax losses are forfeited. Loss carry-backs are not allowed.
Associated companies		Following the OECD Model Tax Convention, if: <ul style="list-style-type: none"> an enterprise participates directly or indirectly in the management, control or capital of another enterprise (subsidiary) According to Albanian transferpricing guidelines, two persons are considered to be associated parties where <ul style="list-style-type: none"> one person participates directly or indirectly in the management, control or capital of the other person or when the same person or persons participate(s) directly or indirectly in the management, control or capital of both persons
Operating expenses		Expenses of the business
	Transfer prices	Subject to Transfer Pricing Regulation are all Albanian taxpayers engaged in cross-border transactions with 'associated parties'. Filing an annual controlled transaction notice is required only for companies which have aggregate controlled transactions (including loan balances) exceeding ALL 50,000,000 (approx. EUR 376,000) during the reporting period. Transfer Pricing Documentation must be filed within 30 days of request from Albanian Tax Authorities. The Transfer Pricing documentation must address at least the following: <ul style="list-style-type: none"> Overview of the taxpayer's business operations and organizational chart; Description of the corporate organizational structure of the group;

	<ul style="list-style-type: none"> Description of the controlled transaction(s), including analysis of the comparability factors and details of applicable transfer pricing policy (where relevant); Explanation of the selection of most appropriate transfer pricing method (cost plus, profit split, comparable uncontrolled price method); Comparability analysis as described above; Explanation of any economic analysis and projections relied on; Details of any advance pricing agreements or similar applicable to the controlled transactions; Conclusion as to consistency of the conditions of the controlled transactions with the market principle, including details of any adjustment made to ensure compliance; Arm's-length basis, documentation required.
Interest on debt financing of acquisition	Deductible under the same conditions as interest payable on other type of borrowings. However, interest paid by the taxpayer during the fiscal year which exceeds the 12-month average interest rate of the bank market as officially published by the Bank of Albania is not deductible.
Debt / equity	Interest is deductible if the debt/equity ratio does not exceed the 4:1 ratio. Short-term bank loans with duration of less than one calendar year not considered for purposes of calculating the ratio of the loan as above. This restriction (ratio 4:1) does not apply for banks and insurance companies.
Interest as percentage of EBITDA	Net Interest is deductible if does not exceeds 30% of the EBITDA. The non-deductible Interest is carried forward under certain rules and regulations.
Dividend distribution financed by third party	Interest deductible as operating expense as long as it does not constitute capital repayment
Tax depreciation	For tax purposes fixed assets are divided into four groups: <ul style="list-style-type: none"> 1st group (non-depreciable assets): land, art objects, antiques, jewelry, precious metals and stones are not amortized; 2nd group (costs of purchase or construction and costs of upgrading, renovation and reconstruction of buildings, fixtures and machinery and equipment with long service) are depreciated separately with declining balance method at a rate of 5% on net book value; 3rd group (intangible assets) are depreciated separately for each asset on a straight-line basis, at the rate of 15%; 4th group (computers and IT systems) are depreciated based on net book value at 25% and 20% for all the other assets. Accounting depreciation depends on accounting policy of the company
Provisions	Banks can now deduct only loan impairments (provisions) for Corporate Income Tax purposes if they are calculated following the International Financial Reporting Standards (IFRS).

Corporate income tax

Motor vehicle expenses	<p>Depreciation expenses are deductible up to 20% of the net book value. Depreciation over at least 10 years Acquisition cost: no ceiling</p> <p>No deduction of input VAT on acquisition cost and running expenses of passengers' cars except when:</p> <ul style="list-style-type: none"> the sole purpose of economic activity is the purchase of the vehicle for selling. the sole purpose of economic activity is the use of cars (e.g. renting, taxi service, ambulance service)
Non-deductible expenses	<p>The cost of acquisition and improvement of land</p> <p>Any capital increase of the company or contribution increase in a partnership, upon capital or initial contribution defined by the contract and status of the person</p> <p>The value of compensation in kind, which include any compensation paid not in cash by the employer or a person related to him for the services performed by the employee for his employer. Compensations of such type are: food compensation, donation of vehicles, house appliances, tickets for tourist trips etc., providing of dwelling houses or premises for personal use or other purposes that are not directly related with the conducting business activity</p> <p>Dividends declared and profit distributed among partners or shareholders</p> <p>Personal income tax, excise duties, profit tax, and input tax (VAT-deductible)</p> <p>Voluntary pension contributions (while mandatory contributions of the employer according to legislation are deductible expenses of the business)</p> <p>Interest paid from the taxpayers exceeding the loan interest rate as determined in the Official Gazette by the Bank of Albania (on December 31 of the previous year). The same is applicable to loan interest exceeding a debt to equity ratio of 4:1. Exceptions for banks and insurance companies when</p> <p>Fines, late payment interests, and other penal sanctions paid for different legal and administrative reasons. In case of removal of the fines, late payment interest and other penal sanctions: the benefited income from removal of the above is not taxable and therefore for fiscal effects the fines will be reconsidered as deductible expenses</p> <p>Provision for risks and expenses except of those created by insurance companies and banks</p> <p>Representation expenses and reception for amounts exceeding 0.3% of the annual turnover.</p> <p>Personal living expenses (including all expenses of personal consumption which have no direct relation with performance and results of the business)</p>

	<p>Expenses which exceed limits established in the laws or by laws ex:</p> <ul style="list-style-type: none"> assets depreciation which exceed the limit defined above expenses that exceed the limit specified by the Law "On sponsorship": not more than 3% of profit before tax in general not more than 5% for sponsoring publishing activities per diem expenses exceeding the limit of EUR 22 daily or EUR 7 for half-day within the country and per diem expenses which exceed the limit of EUR 60 daily or EUR 30 for half-day outside the country. <p>The number of service days inside or outside the country must be obligatorily justified by the relevant traveling documentation such as transport tickets, passports (exit and entry stamps from the country), etc.</p> <ul style="list-style-type: none"> expenses for gifts except symbolic gifts within the expenses limits of representation costs defined above <p>Expenses coming from the adjustment of inaccurate accounting registrations during the previous years</p> <p>Any expense, whose amount is not confirmed through the documentation submitted by the taxpayer</p>
Withholding tax	<p>Statutory withholding tax rate is 15%. A lower rate or 0% can apply, provided it is envisaged by a double taxation agreement (DTA)</p>
Interest	15% (a lower rate can apply, provided it is envisaged by a double taxation agreement)
Royalties	15% (a lower rate can apply, provided it is envisaged by a double taxation agreement)
Rents	15%
Gains on Disposal of Shares	15% (a lower rate can apply, provided it is envisaged by a double taxation agreement)
Gambling Gains	15%
Dividends	15% (a lower rate can apply, provided it is envisaged by a double taxation agreement)
Direct collection	<p>Apart from withholding tax, no other provisions. Residents are liable for the withholding tax.</p>
Capital repayment to shareholder	<p>Generally tax neutral (even if repayment is made by way of dividend).</p> <p>If the capital repayment exceeds the acquisition cost or the carrying amount for tax purposes, generally a taxable profit is recorded.</p>
Goodwill amortization	On a straight-line basis, at the rate of 15%
Albanian parent-subsidiary exemption	Dividends are tax exempted.

Income tax

Tax rate									
Small and medium-sized businesses (self-employed)	Annual turnover between ALL 5 million and ALL 8 million	5%							
	Annual turnover up to ALL 5 million	0%							
	Employed persons	<table border="1"> <thead> <tr> <th>Taxable Income (ALL)</th> <th>Tax Rate %</th> </tr> </thead> <tbody> <tr> <td>Up to 30,000</td> <td>0%</td> </tr> <tr> <td>From 30,001 to 130,000</td> <td>13% on the amount exceeding ALL 30,000</td> </tr> <tr> <td>Over 130,001</td> <td>ALL 13,000 + 23% on the amount exceeding ALL 130,000</td> </tr> </tbody> </table>	Taxable Income (ALL)	Tax Rate %	Up to 30,000	0%	From 30,001 to 130,000	13% on the amount exceeding ALL 30,000	Over 130,001
Taxable Income (ALL)	Tax Rate %								
Up to 30,000	0%								
From 30,001 to 130,000	13% on the amount exceeding ALL 30,000								
Over 130,001	ALL 13,000 + 23% on the amount exceeding ALL 130,000								
Tax-free allowance only for employment income		Personal allowance at ALL 30,000 (EUR 226)							
Tax liability		A charge to tax is dependent on whether the income arises in Albania. The extent of the charge will be determined by an individual's tax residency status							
Residence		<p>Taxation of individuals is determined by their residency or the source of their earnings: Persons are resident in Albania for tax purposes if:</p> <ul style="list-style-type: none"> They have a permanent residence, family or vital interests in Albania. They have citizenship, serving in the capacity of consular, diplomat or at another similar function, outside the territory of Albania. They reside consecutively or not in Albania for at least 183 days during a tax period, regardless of his/her nationality or the country of his/her vital interests. The calculation of the residence period in Albania includes all the days of physical presence, not only work days, but also holidays. <p>Individuals who have their residence in Albania are taxed on their worldwide income. Expatriates are only taxed on their income realized on the territory of Albania.</p>							
Tax assessment period		Calendar year							
Income categories		<p>Income from</p> <ol style="list-style-type: none"> Employment Self-employment Interests Dividends Capital Real-estate income Other royalties, gambling, etc. 							
Accounting		Self employed with a turnover up to ALL 2,000,000: receipts and payments accounting (cash basis accounting)							

	Small businesses with a turnover from ALL 2,000,001 to ALL 10,000,000 are required to maintain accounting records and report based on micro entity standard No.15 (published by the National Accounting Council)
Loss set-offs	Only capital gains can be offset with capital losses

Filing dates and deadlines

Corporations	Annual Corporate Income tax declaration and payment of tax liability by 31 March of the following year.
Small and medium-sized businesses with annual turnover between ALL 5 million and ALL 8 million	Annual Declaration of the Small Business Income and payment of tax liability by 10 February of the following year.
Small and medium-sized businesses with annual turnover below ALL 2 million	Annual Declaration of the Small Business Incomes by February 10th of the following year.
Statutory Financial Statements	By 31 March of the following year with the Tax Authorities and by 30 June with the National Business Center
Approval of the Financial Statements by the Shareholders and decision for distribution of profit	By 31 July of the following year with the Tax Authorities
Individual income tax return	No later than 30 April of the subsequent period
VAT documents (ledgers)	Monthly on 5 th day of the following month
VAT interim returns	Monthly on 14 th day of the following month
Social insurance declaration	Monthly on 20 th day of the following month
Payments of income tax	Monthly on 15 th day of the month or quarterly by the end of each quarter
Annual controlled transaction notice	By 31 March of the following year to Tax Authorities for those taxpayers who have aggregate controlled transactions (including loan balances) exceeding ALL 50,000,000 (approx. EUR 376,000) during the reporting period

Other taxes

Business tax	no
Wealth tax	no
Inheritance and gift tax	Gift/estate taxes are levied on immovable property located in Albania. An individual who transfers/ donates the ownership of immovable property has to pay taxes before the registration of such property in accordance with relevant laws. Gift/estate taxes are taxed as income at a flat rate of 15%.

Other taxes

Real estate tax	The transfer of the right of ownership of immovable property, land and building is taxed with 15% on capital gains realized. For buildings, transfer taxes are paid from the transferor, the tax calculated based on the area and usage (residential, commercial, other) in the range of ALL 100 - 2000/m ² depending on the municipality where the property is located.
Investment income tax	Investment income taxes are levied on all investment income generated in Albania: 1. Dividends received by individuals' shareholders or by partners 2. Income in the form of interest is considered as income from loans. 3. Interest on bonds or other securities, and 4. Interest from bank deposit and securities. The tax rate amounts to 15% of the income
Local taxes on real estate	Real Estate Tax is levied yearly on buildings by municipality where the property is located, based on the property area/ square meter/usage. The tax base for buildings is the value of the buildings that is calculated according to the guidelines of the Council of the Ministers based on their age and location.
Real estate tax	Real Estate Tax is levied yearly on buildings, commercial land and agricultural land, based on the property area/square meter/usage. For commercial land (not public space), the tax is in a range of ALL 0.14 - 20/m ² depending on the land location and usage. For agricultural land, the tax is in the range of ALL 700 - 5600/hectare per annum depending on the land category, as determined by the Ministry of Agriculture. For buildings the real estate taxes are applied as percentage of the tax base as follows: <ul style="list-style-type: none"> ▪ 0.05 % for residential buildings ▪ 0.2 % for buildings that are used for economic activity. For buildings that have not been finished on time is applied 30 % of the regular tax rate. Income from leasing contracts: Under Article 784 and onwards of the Civil Code, "income from leasing contracts" is income from a contract through which a person is entitled to use and improve an immovable property. Income from leasing contracts is periodic compensation in cash or in kind that an individual generates from leasing real estate. If the tenant, according to the contract agreed among the parties, improves and adapts that property for the tenant's needs, the expenses incurred by the tenant are considered to be the income generated from leasing contracts for the owner of the property. The register of real estate reports all the data of the real estate identity of the owner, limits of property, date of registration, the relative deed of ownership acquisition, and relevant plans that show the location of property. In addition, any mortgage,

	assignment of easement, right to use and any other right connected to or deriving from the real estate that is transferred to any third party, is recorded in the register
Stock options	No specific rules govern the tax treatment of employer-provided stock options. Stock options are subject to personal income tax at the moment of exercise.

Tax regulations

Tax Procedural Law	This law regulates the procedures for the administration of taxes in the Republic of Albania, as well as the principles of organization and functioning of the tax administration in the Republic of Albania. The provisions shall apply to all types of taxes and tax liabilities, unless by special laws otherwise provided.
Penalties for late payment	The amount of delay interest is 120% of the inter-bank interest rate of the Bank of Albania, which is determined each quarter based on the average rate of the previous quarter. Delay interest applies in all circumstances and can not be removed from the tax administration or appeal, except when there are errors in calculation or when there is a change in taxable base.
Fiscal Evasion	Concealment of taxes, through the filing of false documents, false statements or unrealistic information, which leads to inaccurate calculation of the amount of tax, fee or contribution is tax evasion and sentenced with a fine of equal to 100% of the difference between the amounts accrued and what should be in fact.
Payment of tax liability, subject to appeal	The deadline for appealing the preliminary results of a tax audit is 15 calendar days. The deadline for appealing the final results of a tax audit is 30 calendar days after the final tax audit is received. The taxpayer may appeal the tax audit result at the Tax Appeals Directorate or at the Tax Appeal Commission based on the amount of the tax liabilities. In case the receipt date of a tax notification from the tax authorities cannot be determined, the notification will be considered as received by the taxpayer within 10 days from the mailing date. A taxpayer, who wants to appeal, has to, together with the complaint, pay the full amount of tax liability. Alternatively he can deposit a bank guarantee on the full amount of assessed tax and default interest. The appeal is considered only when the taxpayer has paid the tax which is subject to appeal or has provided a bank guarantee for the whole amount of fiscal obligation.

Tax regulations

	An administrative act issued by the tax administration which is not appealed administratively can not be appealed in court. The decision of the Tax Appeals Directorate or the Tax Appeal Commission can be appealed to court not later than 30 days from the notification date. If the Tax Appeals Directorate or the Tax Appeal Commission do not deliberate in 60 days, than the taxpayer may appeal directly in court.
Reimbursement of tax, delay interests and payment of fine	If the tax directory decision is in favor of the taxpayer and the tax administration accepts the decision, the tax obligation and the interest for the taxes paid in excess calculated from the date of payment of tax due until the date of refund are reimbursable to the taxpayer within 30 days from the decision date.
Penalties	Penalties imposed for administrative violations related to a tax liability can not exceed 100% of the tax due
Deregistration procedures	Within 30 days from the application for de-registration at the National Business Centre after the approval of the tax authorities. The tax authorities should check taxpayers' situation by the means of a risk analysis and tax audit if necessary
Cash transactions	Cash transactions are limited to ALL 150,000.

Tax concessions

Expatriate concessions	The tax relief to expatriates seconded to Republic of Albania has been implemented under specific conditions.
Other concessions for entrepreneurs (grants)	Grants supporting job creation in Albania

Immovable property

Tax depreciation	Immovable properties are included in the 2 nd group of assets and are depreciated separately with declining balance method at a rate of 5 % on net book value.
Depreciation categories	
Land	Not depreciable
Buildings and other properties	At 5 %
Write-ups	N/A
Real estate income tax	

Taxable transactions	The transfer of the right of ownership of immovable property, land and building is taxed with 15 % on capital gains realized. This does not apply in the case of exchange of the ownership right of land with the right of ownership of the building built on the ground.
Capital Gains	Capital gains realized are the difference between the sale value and the acquiring value of land or building. In cases when the individual passes ownership for the second time the difference between the sales value and the purchase value specified in the previous contract is used for purposes of calculating the capital gain.
Tax rate	15 %
Tax collection	Tax on income from the transfer of the right of ownership is paid by the individual that sells the real estate. Local offices of real estate registration calculate and collect the relevant tax liability. The payment of taxes is a requirement for the registration of the ownership transferring act.

Social insurance and non-wage labor cost

Social insurance	Statutory health, accident and pension insurance for all employed and self-employed persons
Contribution rates and maximum contributions	Contribution rates and the maximum basis of contribution vary, depending on the nature of the employment
Minimum/Maximum contribution	The contribution basis for the calculation of the social insurance of employed persons is limited to a minimum of ALL 24,000 (EUR 180) per month. The calculation of the health insurance for the self-employed is done based on the double amount of the minimum contribution basis as mentioned above. The contribution basis for social insurance of employed persons is limited to a maximum of ALL 105,850 (EUR 796) There is no contribution ceiling for the calculation of health insurance. Health insurance is based on gross salary.
Responsible body	Albanian Social Insurance Institute (SII) and Albanian Health Care Insurance Institute (AHCI)
Law	Law on Social Insurance in Republic of Albania Law on Health Insurance in Republic of Albania
Self-employed persons	
Pension insurance	21.6 %
Maternity leave	1.4 %
Health insurance	3.4 %
Employed persons	
Pension insurance	21.6 % (12.79 % employer, 8.81 % employee)

Social insurance and non-wage labor cost

Maternity leave	1.4% (0.83% employer, 0.57% employee)
Sickness insurance	0.3% (0.18% employer, 0.12% employee)
Accident insurance and professional sickness insurance	0.3% (0.3% employer)
Unemployment insurance	0.9% (0.9% employer)
Health insurance	3.4% (1.7% employer, 1.7% employee)

General managers (Administrators)

Civil law	Contract of employment, service contract, contract for services, agreement, statute etc.
Social insurance	Generally as an employee and insured under the social insurance law. Foreign executive officers working in Albania are required to pay social and health contribution in Albania. Certain exemption apply in some cases.
Personal Income tax (PIT)	Employees: income tax on wages and salaries including all payroll-related costs
VAT	Employee: no VAT
Work permit	As a general rule foreign citizens working in Albania for a period longer than one month are required to obtain a work permit, unless exempt with law or international agreement. The application forms can be obtained at the Migrations Department in the Ministry of Labor and Social Affairs, in embassies and consulates abroad and in regional labor offices of the respective districts. The expatriate may perform only the work for which the work permit has been issued. Expatriates that reside 183 or more days in one 12 month period on the territory of Republic of Albania with or without interruptions will be considered as residents for tax purposes. No work permit is needed for EU and Schengen citizens.
Residence permit / Settlement permit	Residence permit is needed if a general manager is staying more than 90 days for a period of 180 days from the date of entrance into the Albanian territory. The residence permit for an employed person is issued in accordance with the work permit. After the issuance of the "residence permit for employed persons" the holder is obliged to notify the competent authorities about any change of conditions for which the permit is issued and request for its approval if the change is related to: <ul style="list-style-type: none"> name and address of employer, place of residence, and place of work valid employment contract This does not apply to EU and Schengen citizens.
Liability	In case of gross negligence or fault
Minimum remuneration	N/A

VAT

Taxpayers	<ul style="list-style-type: none"> Registration threshold for value added tax (VAT) is ALL 5,000,000 (EUR 36,974) for the calendar year. Taxpayers, who provide services such as lawyer, notary, specialized doctor, dentist, specialized dentist, pharmacist, nurse, midwife, veterinarian, architect, engineer, doctor-technician, designer, economist, agronomist, registered auditor, and approved accountant and property appraiser, as well as economic activity in the field of hotel are all subject to VAT despite the annual turnover threshold for VAT registration. Exporters and importers are automatically registered regardless of turnover
Tax rates	
Standard rate	20%
Other rates	<p>0% for:</p> <ul style="list-style-type: none"> All exports International transport of goods or passengers and supplies of goods and services related to it. Supplies of goods or services in relation to commercial or industrial activities at sea. <p>6% for:</p> <ul style="list-style-type: none"> Resort hotels with five stars and a international recognized brand name.
Supply of goods	Supplies of goods with consideration, withdrawal for private use (self supply) as well as any other supply without consideration are taxable.
Place of supply of goods	<p>The location of a supply of goods is at the location where the goods are delivered or are made available by the suppliers.</p> <p>If the delivery of goods or making the goods available involves transport of the goods, then the location is considered the place where the transport of goods begins, except in the cases defined otherwise in the VAT law.</p> <p>Supply of electric energy, gas, water, heating, cooling, or air conditioning is performed at the location where the supply is received.</p> <p>Import from third countries: if supplier is liable for import VAT, in importing country</p>
Supply of services	Supply of services and private use / supply of services without consideration (self-supply) are taxable
Place of supply of services	<p>A differentiation is made between services rendered</p> <ul style="list-style-type: none"> to taxable person ("Business to Business", "B2B") or to non-taxable person ("Business to Customer", "B2c") <p>For the purpose of determining the place of the supply of services.</p> <ul style="list-style-type: none"> taxable persons (holding a VAT registration number) and non-taxable legal entities holding a VAT registration number <p>will be considered as "taxable persons"</p>

▪ Basic rule	B2B	B2C
	Place of recipient (Place where the recipient of services has established his business)	Place of supplier (Place where the supplier of services has established his business)
▪ Special cases	B2B	B2C
Immovable property services	Place of the property	Place of the property
Passenger transportation	Proportionally with the distance covered	Proportionally with the distance covered
Restaurant and catering services	Where the services are physically carried out	Where the services are physically carried out
Restaurant and catering services in connection with intra-community passenger transport	Place of departure	Place of departure
Renting means of conveyance for a short period (up to 90 days for shipping vessels and aircrafts and up to 30 days for otherz transportation means)	Where the means of transportation is actually put at the disposal of the customer	Where the means of transportation is actually put at the disposal of the customer
Cultural, artistic, scientific, educational, sports, entertainment or similar services, like services in conention with fairs and exhibitions including services of respective organizers	Where the services are physically carried out (place of event)	Where the services are physically carried out (place of event)
Reverse charge (reversal of tax liability)	Generally for all transnational supplies of services and work supplies.	
Requirements	Supplier is a foreigner (no residence, no place of business or establishment in Albania involved in providing the service). Customer is a taxable person holding a VAT identification number. When a person, for the purpose of VAT, is a taxpayer, but does not have a fixed place of business, or, in the case of an individual, a usual place of residence in Albania, the Ministry of Finance has the right to require him to appoint another person as his tax representative	
Consequences	Invoice without VAT, indication that tax liability is transferred to the customer Customer liable for the VAT	
Tax reliefs		
Zero rated (input VAT deduction is possible)	Exports Fasson services ▪ Supply of services in the temporary regime and active processing	

	<p>International transport</p> <ul style="list-style-type: none"> ▪ International transport of passengers from / to destinations outside the Republic of Albania. ▪ Refueling and supply of other resources needed for sailing vessels and airplanes. <p>Gold Supply</p> <ul style="list-style-type: none"> ▪ Supply of gold by the Bank of Albania and commercial banks, as well as banknotes and coins of the Bank of Albania <p>Diplomats, etc.</p> <ul style="list-style-type: none"> ▪ Supply of goods and services performed under diplomatic and consular relations; ▪ Supplies of goods and services to international organizations and their members recognized as such by the authorities of Republic of Albania <p>Supplies of goods and services in Republic of Albania to NATO Allies or civil personnel accompanying them.</p> <p>The Minister of Finance defines with an instruction the exemption of supply to diplomatic or consular missions, as well as for their staff, on the basis of reciprocity, and the exemption of supply to international organizations based on international agreements.</p>
VAT exemption (input VAT deduction is not possible)	<p>Land and buildings</p> <ul style="list-style-type: none"> ▪ Leasing a land or a site, except the cases when the land is used for parking of transport vehicles and other means of transport. ▪ Supply of buildings except to the construction process. ▪ Rental of buildings unless: <ul style="list-style-type: none"> a) lease for a period not exceeding two months; b) accommodation in hotels or similar <p>Financial Services</p> <ul style="list-style-type: none"> ▪ Insurance and reinsurance, Granting, negotiating, and dealing with loans, credits, credit guarantees and any money insurance, including management of loans, credits or credit guarantees by the grantor; ▪ Transactions relating to bank accounts, payments, transfers, debts, checks and negotiable instruments, except for debt collection; ▪ Transactions relating to currency, bank notes, and money which are legal tender, except for items used solely for collection. ▪ Transactions relating to stocks, bonds and other securities, except for supervision services; ▪ Management of investment funds; ▪ Transactions relating to contracts for life insurance, including reinsurance; ▪ Transactions relating to management of pensions funds and obligatory health insurance <p>Gold Supply</p> <ul style="list-style-type: none"> ▪ Supply of gold by the Bank of Albania and commercial banks, as well as banknotes and coins of the Bank of Albania

	<p>Postage services</p> <ul style="list-style-type: none"> Supply of postage stamps for use for postal services, supply of similar stamps. <p>Not- for profit organizations</p> <ul style="list-style-type: none"> Supply of goods or services for medical or dental treatment; Supply of services for the protection or care of children or old people; Supply of educational, cultural, or sport services; Supply of services by religious or philosophical organizations for the purpose of spiritual welfare. <p>Medical services</p> <ul style="list-style-type: none"> Supply of drugs and implantable medical devices Supply of health services and activities closely related to them, with the objective of protecting the health of citizens, including prevention, diagnosis, treatment of illness and rehabilitation of health disorders, from public or private health institutions Supply of organs, blood and human milk; Supply of goods or services for dental treatment; <p>Education Services</p> <ul style="list-style-type: none"> Educational services by educational institutions, public and private (starting from October 1, 2010) <p>Packaging materials and drugs</p> <ul style="list-style-type: none"> Supply of packaging and materials used for production and confection of drugs <p>Sales of newspapers, magazines and advertisement services done in them</p> <ul style="list-style-type: none"> Services of printing houses for newspapers, magazines and books of any kind as well as supplies of advertisement services by written and electronic media. Sales of newspapers and magazines, daily or weekly, as well as advertisement services they publicize for other persons. <p>Hydrocarbon operations</p> <ul style="list-style-type: none"> The supply of goods and services by the contractors and subcontractors of hydrocarbon operations, which are affirmed as such by the National Agency of Natural Resources, in relation to the research and development phase of hydrocarbon operations, is no longer exempt from VAT. The import of such good and services is no longer exempt from VAT as well. <p>Others</p> <ul style="list-style-type: none"> Free of charge supplies in cases of support rendered for situations, defined in the Law "On Civil Emergencies". (The Council of Ministers is charged to define rulings on cases of exemptions for support rendered in case of civil emergencies.)
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	<ul style="list-style-type: none"> Supply of services of processing goods for re-export by taxable authorized persons on the basis of provisions defined in the Customs Code with regard to operations under active processing regime (The Minister of Finance defines the required documentation in Instruction for exemption application.) Supplies of services on games, casinos and hippodromes <p>VAT exemptions on import</p> <ul style="list-style-type: none"> Final import of all goods imported by a taxpayer, when their supply within Albania is VAT exempted Import of goods placed in transit regime. Import of goods declared to fall under temporary regime and active processing. Importation of goods by NATO and its bodies in the frame of operations on the basis of international agreements. Importation of military materials for Armed Forces donated by countries of NATO and its partners. Local and cross-border supplies of services and importation of goods carried out by operators in the hydrocarbons sector only if directly related to the exploration phase. Supply and importation of medicines and health care services as of 1 April 2014. Importing machinery and equipment for investment contracts with a value equal to or greater than 50 million; or investment contracts in active processing sector and agribusiness, regardless of the value of the investment; or for manufacturing entities subject to simplified profit tax. Importing of agricultural equipments and live cattle Importing of gold from Central Bank of Albania
Deductible input VAT	<p>VAT invoiced to the business for the supply of goods and services and import VAT</p> <p>Generally no deduction of input VAT with respect to:</p> <ul style="list-style-type: none"> Expenses that are not completely for the purpose of economic activity
Deductible input VAT	<ul style="list-style-type: none"> Fuel costs, unless: purpose of economic activity is the purchase of fuel in order to sell it, purchased fuel is used for technological needs. Costs for travel and per diems, accommodation in hotels and recreational activities The cost of cars, unless: <ul style="list-style-type: none"> The purpose of economic activity is the purchase of the vehicle in order to sell them. The use of cars is the sole purpose of economic activity (e.g. renting, taxi service, ambulance). The cost of fuel of any kind used for vehicles. The cost of promotional advertising items. For representation expenses the right of deduction is not allowed for expenses beyond the allowed rate for their recognition as a deductible expense.

VAT

Real estate		
Rentals		Rental of real property is exempt. However the lesser has the right to select a taxable option under certain circumstances.
Sales		Sale of land is exempt
Leasing		
Finance leasing		Supply of goods
Operating leasing		Supply of services
Foreign taxable persons		Taxable persons with no place of business or permanent establishment in Albania
Registration		A person who does not have a domicile / seat or a permanent business unit in Albania (registered branch) cannot be registered for VAT in Albania
Input VAT refund for foreign taxable persons		Non registered persons generally cannot recover Albanian VAT.

Double taxation agreements

The right to taxation in the event of sale of interests in property companies is subject to differing provisions. In accordance with the OECD Model Agreement, for those countries for which there is a "yes" in the real estate clause column the right to taxation lies generally not with the country of residence of the vendor but with the country in which the property is situated (as of 7 January 2016).

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Austria	01.01.2009	Yes	5/15	5	5
Belgium	01.01.2005	No	5/15	5	5
Bosnia and Herzegovina	01.01.2009	Yes	5/10	10	10
Bulgaria	01.01.2000	Yes	5/15	10	10
China	01.01.2006	No	10	10	10
Croatia	01.01.1999	No	10	10	10
Czech Republic	01.01.1997	Yes	5/15	5	10
Egypt	01.01.2006	No	10	10	10
France	01.01.2006	Yes	5/15	10	5
Estonia	03.06.2010	Yes	5/10	5	5
Germany	01.01.2012	No	5/10	5	5
Greece	01.01.2001	No	5/Yes	5	5
Hungary	01.01.1996	Yes	5/10	0	5
Ireland	01.01.2012	Yes	5/10	7	7
Iceland	03.04.2015	Yes	5/10	10	10
Italy	01.01.2000	No	10	5	5
India	31.10.2013	No	10	10	10
Korea (R.O.K)	01.01.2009	No	5/10	10	10
Kosovo	01.01.2016	Yes	10	10	10
Kuwait	01.01.2014	Yes	0/5/10	10	10
Latvia	01.01.2009	Yes	5/10	5/10	5

Country	Effective date	Real estate clause	Dividends %	Interest %	Royalties %
Luxembourg	12.03.2009	Yes	5/10	5	5/10
Macedonia	01.01.1999	Yes	10	10	10
Malaysia	01.01.2001	No	5/15	10	10
Malta	01.01.2001	No	5/15	5	5
Moldova	01.01.2004	Yes	5/10	5	10
Netherlands	01.01.2006	No	0/5/15	5/10	10
Norway	01.01.2000	Yes	5/15	10	10
Poland	01.01.1995	No	5/10	10	5
Qatar	19.04.2012	Yes	5/10	5/10	6/10
Romania	01.01.1995	No	10/15	10	15
Russia	01.01.1998	Yes	10	10	10
Serbia and Montenegro	01.01.2006	No	5/15	10	10
Singapore	01.01.2012	No	5	5	5
Slovenia	01.01.2010	Yes	5/10	7	7
Spain	04.05.2011	No	0/5/15	6	10
Sweden	01.01.2000	No	5/15	5	5
Switzerland	01.01.2001	Yes	5/15	5	5
Turkey	01.01.1997	No	5/15	10	10
United Kingdom	05.12.2013	Yes	5/10/15	6	10
United Arab Emirates	19.06.2014	Yes	0/5/10	5	5
Non-treaty countries			15	15	15

Notes

Notes

TPA locations

TPA has 12 offices in Austria. Furthermore we are present in the following 10 countries in Central and South Eastern Europe: Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Serbia, Slovakia and Slovenia.

All our offices and contact persons can be accessed at:

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