

Newsletter

January **2020**



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Elda Llambi

Chinese citizens excluded from Type C Visa regime

In December, the Albanian Government has approved new amendments in the Laws "On Foreigners" by which are affected the Chinese citizens.

According to the new changes, starting from January 2020, Chinese citizens are not obligated anymore to obtain Type C Visa to enter Albania for short terms tourism visits ■



Fiscal package 2020 in Albania

In complementing policies to minimize the informal economy in Albania, improving tax revenue collection, but also in terms of adapting tax legislation in line with latest technological developments, in particular the implementation of the mechanism known under

In such terms the provisions that provide the elements of tax invoice, method of invoicing, and control of cash transactions through the system of fiscal cash registers specified in the law no. 9920, dated 19.5.2008, "On tax procedures in the Republic of Albania" were amended. Now such aspects are specified in the law on invoice and turnover monitoring system which has changed the invoices and transaction monitoring system in Albania.



the legal initiative named as "Improving the Management Module of Billing Control (Fiscalization)" has been introduced by the Ministry of Finance and Economy a complementary set of legal changes affecting both the law on tax invoice procedures and related services with it, but also the chapter of the VAT law, which describes the VAT tax invoices and other related documents, as well as the income tax law.

For the first time in **Tax Package 2020** is introduced to be applied the generation of an automatic VAT declaration, where the taxpayer is left with the duty of only its certification or correction if it has not stated correctly in the sales and purchase books.

Meanwhile, a relief in the daily routine related to the situation of liquidity shortage of businesses is improved by 2020 tax package in relation to the tax liability offset

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with the VAT credit balance, which serves as for the latter one, but also facilitates cash flow of taxpayers in a situation where there is a lack or insufficiency of liquidity.

Also, for the first time **there is an incentive for the automotive industry to reduce their profit tax rate** by 3 times with the actual one, by applying it since 2020 to the level of 5% of taxable profit.

On the other hand, the 2020 tax package excludes VAT on electric motor vehicles also next to the introduction of cars that do not pollute the environment, but also add more value to the economy. Promoting investment in the automotive sector will also contribute to increasing the number of businesses operating in the field, as well as creating new jobs.

One of the expected incentive is for legal entities that make a taxable annual profit of over ALL 100 million, in relation to amounts sponsored in the field of sport, recognized as deductible expenses, which for the purpose of calculating the tax on profit for fiscal year, are deductible triple the value of the sponsored amount. But also, for large investors another dedicated policy is considered where those investors, who invest in business projects over 1 billion ALL, carry forward the losses for a 5-year period.

This incentive is proposed as these investments with significant value and that generally have a significant extent over time, have the opportunity to cover the resulting losses with profits in the next five tax periods. In the meantime, due to concerns about tax equality disruption, it turns out

that the number of employees working in more than one job for 2018 is 31,737 employees and for the 9-months of 2019 is 35,558 employees. Given the tax administration's findings and analysis, that this form of employment in two job posts has served to avoid progressive payroll tax, the Individual Annual Income Declaration (DIVA) non-filing exemption for individuals who fall in this category of employment situation has been denied.

Since January 2020 around 36 thousand individuals who are employed by more than one employer even though do not meet the legal criteria of



annual income over 2 million ALL per year will declare their annual individual income and pay the tax based in the progressive rates.

Changes to the national tax law have addressed concerns about specifying the value of the vehicle for the criteria that a vehicle must meet to be considered a luxury vehicle, depreciating the value of the vehicle by 10% of its residual value, and by adding the category of persons with disabilities to be exempt from the annual tax on used vehicles.

Below are the legal changes that will take effect from January 2020, where initially are the tax procedures, followed by VAT, Income Tax and finally are the changes to National Taxes ■



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TAX PROCEDURES

CHANGES/IMPROVEMENTS IN 2020 (APPLIED FOR THE 1 ST TIME IN 2020)	CLARIFICATION	ENTRY IN FORCE
<p>An amendment to the articles referring to the tax invoice terminology as well as the abrogation of the articles describing the tax invoice; issuance of tax invoice; production and distribution of tax invoice; tax invoice prepared by the buyer; tax voucher; the obligation to use fiscal equipment and to deploy circulation monitoring systems; control of the automatic system of data collection of fiscal devices.</p>	<p>Given the effect that the law will have on the invoice and circulation monitoring system by changing the invoice and transaction monitoring system, changes to the law are then reflected (articles 41, 46, paragraph 4 of article 57, article 58, 71, 80). Abrogation of point 3, article 48, as well as articles 49, 50, 51, 52, 53, 54, 55 and 56</p>	<p>January 2020</p>
<p>The taxpayer's amendment of the tax return is limited to one time only, and the provisions of the income tax law regarding the amendment of the individual annual income statement are unified. For tax declaration "Pay list of social security, health insurance and personal income tax from employment", taxpayer is entitled to correct only 1 (one) time within the first month after the declaration. The individual taxpayer is entitled to correct the "Individual Annual Income Declaration" for clarification, up to two times without being penalized, within 3 (three) months of submission of the statement.</p>	<p>Changing the Declaration within 36 months had no restriction on its change. This amendment is made to Article 67 of the Law. Except as provided in the first paragraph of this point, a taxpayer's declaration may be amended by the taxpayer in any event where he has to declare a tax liability greater than the obligation resulting from the control.</p>	<p>January 2020</p>
<p>It is proposed the possibility of offsetting tax liabilities with the credit standing of a taxpayer</p>	<p>Amendment to Article 75, point 4, enabling the amendment only after the approval of the heads of the responsible institutions for collecting tax liabilities</p>	<p>January 2020</p>
<p>At the request of the tax administration, the installment payment agreement may also relate to obligations that the tax administration has on taxpayers in special cases, such as: approved claims for VAT refunds, as the parties have previously agreed to installment payment plan of this obligation.</p>	<p>Addition of point ½ to Article 75/1, which stipulates that the tax administration's obligation to the taxpayer is considered settled and interest-arrears do not apply. The procedures and criteria for the implementation of this point shall be determined by decision of the Council of Ministers. The provisions of this clause apply until 30.06.2021</p>	<p>January 2020</p>

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CHANGES/IMPROVEMENTS IN 2020 (APPLIED FOR THE 1 ST TIME IN 2020)	CLARIFICATION	ENTRY IN FORCE
<p>The installment payment agreement may be signed for tax liabilities imposed by the tax administration as a result of a tax assessment conducted pursuant to Article 68 of this law, as well as for tax liabilities self-declared by the taxpayer. Notwithstanding the foregoing, the tax administration shall not enter into an installment payment agreement for income tax withheld and self-declared by the taxpayer, as well as for social and health insurance contributions calculated or otherwise collected, or held by taxpayers.</p> <p>Exceptionally, in cases where the taxpayer qualifies as state or public institutions, central or local, or other entities to which the Government is a party, in cases of high public interest or the need to prevent the breach of law and national order, may also sign an installment agreement for social and health insurance contribution obligations.</p> <p>The installment agreement does not alleviate the legal position of the person liable in the event of the presumption or consumption of a legally foreseen offense related to a taxpayer's self-declared tax liability calculated or collected, or held by him, including social security contributions, and health.</p>	<p>Amendment of Article 77., adding on this purpose the type of obligations for which the taxpayer may sign installment agreements with the aim of reducing the tax debt.</p>	<p>January 2020</p>
<p>The tax audit notice is sent to the taxpayer at least 10 calendar days before the tax audit date written on the notice. The fiscal visit notice is sent to the taxpayer at least 5 calendar days before the fiscal visit commencement date. The tax audit notification of invoice issuance is sent to the taxpayer on the same day that the tax audit begins at the taxpayer's business location.</p>	<p>Amendments to Articles 80 and 83, where the deadline for notification of control is reduced from 30 days to 10 days, and the deadline for notification of fiscal visit is reduced from 10 days to 5 days. Paragraphs 7,8,9,10 to Articles 80 and 83 are intended to strengthen control and reporting when electronic invoices are implemented and to strengthen controls without prior notice in cases of flagrancy and information coming from third party sources and where delays infringe on the detection of the criminal offenses in progress.</p>	<p>January 2020</p>
<p>Declaration of non-collection, tax liability or part thereof, for amounts ranging from ALL 1 million to ALL 5 million</p>	<p>Amendment to Article 103, in order to more effectively manage tax debt</p>	<p>January 2020</p>

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CHANGES/IMPROVEMENTS IN 2020 (APPLIED FOR THE 1 ST TIME IN 2020)	CLARIFICATION	ENTRY IN FORCE
<p>The Ministry of Justice and the Ministry of Finance and Economy, by joint instruction, determine the procedures to be applied for the purpose of registering the acquisition of ownership of immovable property confiscated by the tax administration under the administrative act of confiscation and the procedures to be applied for sale at auction.</p>	<p>Amendment to Article 96, where, as of today, there is still no clear and implemented procedure for acquiring ownership of confiscated property of debtor taxpayers.</p>	January 2020
<p>Penalties are foreseen in the case of violations related to tax documentation and the transaction of cash sales, provisions that are proposed to be restructured in accordance with the proposed changes to the draft law on invoice and circulation monitoring system</p>	<p>Amendments to the measure of penalties in Articles 122, 123, 124, 124/1, 125, 128/1, 129. Penalties have been reviewed and reconstituted with a view to their harmonization and unification with regard to administrative offenses of the same nature.</p>	January 2020

VALUE ADDED TAX

APPLIED FOR THE 1 ST TIME IN 2020	CHANGES / IMPROVEMENTS IN 2020	CLARIFICATION	ENTRY IN FORCE
<p>Automatic generation of VAT Declaration by the tax authority, based on the information provided in the Purchase Book and the Purchase Booksale</p>		<p>Amendment of article 106, as an effect of fiscalization reform</p>	January 2020
<p>Simplified tax documents are removed</p>	<p>Change of date from 14 to 10, for invoice issue from the recipient side of the supply (reverse charge)</p>	<p>Amendment of Article 99</p>	January 2020
<p>VAT exemption of the supply of vehicles with only electric motor, new, zero km, not previously registered for circulation in any other country</p>	<p>Non-use of tax voucher as justifying tax document for cases of export of goods by passengers leaving Albania</p>	<p>Abrogation of Article 102</p>	January 2020
	<p>Non-use of tax voucher as justifying tax document for cases of export of goods by passengers leaving Albania</p>	<p>Amendment to Article 58, harmonizing the concept of electronic invoice with that provided in Law on invoices and circulation monitoring system</p>	January 2020
		<p>Protection against environmental pollution and promotion of the use of renewable energy (Article 51)</p>	January 2020

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APPLIED FOR THE 1 st TIME IN 2020	CHANGES / IMPROVEMENTS IN 2020	CLARIFICATION	ENTRY IN FORCE
<p>VAT exemption of the supply of vehicles with only electric motor, new, zero km, not previously registered for circulation in any other country</p>		<p>Protection against environmental pollution and promotion of the use of renewable energy (Article 51)</p>	<p>January 2020</p>
	<p>Reformulation of the term Electronic Invoice, billing according to the vocabulary of the law of fiscalization</p>	<p>Amendment to Articles 95, 96, in line with fiscalisation reform</p>	<p>January 2020</p>
	<p>Abrogation of rule of non-issuance of invoice for supplies of goods or services with a maximum value up to 40,000 ALL requiring issuance of invoice for any other supply of goods or services, regardless of the value of supply</p>	<p>Amendment to Articles 98, in line with fiscalisation reform</p>	<p>January 2020</p>
	<p>Added data that should contain tax invoice, asking to indicate the place and time at the time of issue</p>	<p>Amendment to Article 101, as harmonizing the concept of electronic invoice with that provided in Law on invoices and circulation monitoring system</p>	<p>January 2020</p>
<p>The tax invoice beginning from fiscal year 2020 can also be issued electronically, in addition to the paper format, also referring to the criteria under the law on invoice and circulation monitoring system leaving even a transitional time specified in this new law.</p>		<p>Amendment to Article 104, as harmonizing the concept of electronic invoice with that provided in Law on invoices and circulation monitoring system</p>	<p>Through fiscal year 2020</p>

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PERSONAL AND PROFIT TAX

APPLIED FOR THE 1 st TIME IN 2020	CHANGES / IMPROVEMENTS IN 2020	CLARIFICATION	ENTRY IN FORCE
<p>DIVA non-disclosure exemption for individuals who are employed by more than one employer even though they do not meet the annual income criterion of declaration based on individual turnover of over 2 million ALL per year</p>		<p>Amendment to point 4, Article 13. Individuals who work in two or more job posts as employees declare in their Individual Annual Income Declaration (DIVA), as a single wage. All income derived from employment status, will be calculated as the total amount of tax payable on wages, deduct where applicable, the tax withheld by the employer and the amount of tax due based on progressive tax rates to be paid to the state budget</p>	<p>January 2020</p>
	<p>The words "VAT tax invoice, simple tax invoice" are replaced with the word "Invoice",</p>	<p>Amendment of Article 20 in order to harmonize the provision with the law on invoice and circulation monitoring system</p>	<p>January 2020</p>
<p>For legal entities that generate taxable annual profit of over 100 million ALL, sponsored amounts, within the limits provided by law no. 7892, dated 21.12.1994, "On sponsorships", as amended, for sports team activities, part of sports federations recognized by the applicable legislation in the field, for the purpose of calculating the tax on the profit of the tax period, is deducted up to three times the value of the sponsored amount.</p>		<p>Amendment of letter j., Article 21 of the Law. This incentive is proposed to recognize deductible expenses applies after the issuance of a "Sponsorship Authorization" by the Director General of Taxation, following the procedures set out in the instruction of the Minister responsible for Finance. They are not allowed to be carried over to future tax periods.</p>	<p>January 2020</p>
	<p>For taxpayers who invest in business projects worth over ALL 1 billion, if taxable profit in a tax period turns negative, the resulting loss can be covered by profits in the next five tax periods, according to the principle "first loss" before the last one".</p>	<p>Adding of a point to Article 27, harmonizing the concept of electronic invoice with that provided in the law on invoice and circulation monitoring system</p>	<p>January 2020</p>
<p>Legal entities, operating in the automotive industry, profit tax rate is 5%</p>		<p>Addition of a point to Article 28 with a view to fostering the development of an almost new sector for the Albanian economy</p>	<p>January 2020</p>

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NATIONAL TAXES

APPLIED FOR THE 1 ST TIME IN 2020	CHANGES / IMPROVEMENTS IN 2020	CLARIFICATION	ENTRY IN FORCE
	<p>It is proposed to add in letter "b" that the value of the vehicle will be depreciated annually at 10% of the residual value and the sales value of vehicles classified as "Luxury Vehicle" may not be less than the value of the vehicle. depreciated according to the law depreciation</p>	<p>Amendments to Article 2, point 5, which defines the definition of "Luxury Vehicle". This amendment aims at specifying the value of the vehicle for the criteria that a vehicle must meet in order to be considered a luxury vehicle. Currently, Law No.9975, dated 28.7.2008, "On National Taxes", as amended, and point 2.11 of the Instruction of the Minister of Finance No. 26, dated 4.9.2008, "On National Taxes", amended, as amended, it is specified that "Luxury vehicle" is considered to be a motor vehicle up to 6 + 1, which fulfills at least one of the following conditions: a) cylinder equal to or greater than 3000 cm3; b) value / price equal to or more than ALL 5 million.</p>	<p>January 2020</p>
	<p>Changes in penalties for the purpose of unifying the penalty for late payment of the annual tax on vehicles used with fines imposed for tax liabilities of the same nature provided in the law on tax procedures</p>	<p>Amendments to point 3, Article 4, "National tax level", which unifies, inter alia, the percentage of annual tax revenue of vehicles used that exceeds local government by the provisions of Law No.68 / 2017, "On finances of local self-government"</p>	<p>January 2020</p>
	<p>It is proposed to increase the category of persons with disabilities to be exempt from annual taxes on used vehicles and exemption from paying annual tax on early vehicles of historical interest and collection under applicable legal and sub-legal acts.</p>	<p>Addition to Article 9 "Exemption from National Tax Payments". The applicable law stipulates in point 1, letter "ç", of article 9, "type cars up to 4 + 1 seats and cylinders not more than 2500 cubic meters, when these vehicles are in the possession of war invalids and veterans against the Nazi-fascist invaders of the Albanian people, the working disabled, the blind, paraplegic and tetraplegic invalids, who acquire this status under the relevant laws, and are used only for their personal needs and not for private activities.</p>	<p>January 2020</p>
<p>It is proposed to exclude early vehicles of historical interest and collection. This initiative is also in line with the government's political program, namely the National Strategy for Employment and Training 2014-2020 and can promote the development of the mechanics sector, encouraging more young people to pursue vocational schools by qualifying, in the regulation and maintenance of early road vehicles.</p>		<p>This change aim for a cultural and social impact for automotive enthusiasts at home and abroad. In terms of tourism, Albania may offer a fleet of vehicles from Eastern countries not listed in Western Automobile Association registries</p>	<p>January 2020</p>

Albana Fona

TAX FREE Real Estate Donation to Family Members

On 18.12.2019 the Parliament adopted the Law 84/2019 "For some additions and amendments to Law 8438, dated 28.12.1998 "On Income Tax".



The new amendment, provides that the transfer of property rights to family members under a Donation/Gift Contract will be considered as tax-free transaction.

As of January 2020, the 15 % tax exemption on property transfer will be applied only in cases when a property is donated between the family line: husband, wife, children's and only once to one beneficiary.

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info@lpalbania.com
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