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**ALBANIA TAX CARD**

2019

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# TAX CARD 2019 – ALBANIA

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# I. Individuals

## 1.1 Personal Income Tax

Residents are subject to tax on their worldwide income. Non-residents are taxed on their Albanian-source income only. Income tax is assessed in the tax year on a current year basis. Individuals who have annual income greater than 2,000,000 ALL (approx. 16,000 Euro) have the obligation to file a personal income return form.

### 1.1.1 Tax Rates

Taxable Income (ALL)		Tax rates
Income from salaries and other compensations derived from labour agreements	0 – 30,000	0%
	30,001 – 150,000	13% on the amount exceeding 30,000 ALL
	Over 150,000	15,600 ALL + 23% on the amount exceeding 150,000 ALL
Income from dividend		8%

### 1.1.2 Taxable Incomes

Income type	Taxable amount
Income from salaries and other compensations derived from labour agreements	100%
Income from rental or other profits arising from real property	100%
Income derived from transfers of ownership rights over immovable property	100%
Income derived from transfers of quotas and shares	100%
Interest income derived from bank deposits and bonds	100%
Income from dividends or other type of profit distribution	100%
Income from Copyrights or Royalties	100%
Capital increase from sources outside of the company, previously not taxed in Albania	100%
Income derived from gambling and casinos	100%
Other income not defined above	100%

### 1.1.3 Exempt Income

Income type	%
Income received as a result of being insured in the social and health insurance schemes	100%
Student scholarships	100%
Income from expropriations	100%

Income which is exempted according to international treaties ratified by the Parliament of Albania	100%
Financial compensations to former political prisoners and former proprietors	100%
Life and health contributions paid by the employers	100%
Judicial compensations	100%
Prizes received from the government for achievement in science, sport or culture	100%

### 1.1.4 Deductible Expenses

Expense type	%
Interests on loans taken for the education of dependent family members	100%
Health care expenses for medical treatment which are not covered by the health insurance	100%

The total of deductible expenses cannot exceed the amount of total taxable incomes. Deductible expenses are applicable only to resident taxpayers.

## 1.2 Social Security and Health Insurance Contributions

Mandatory social security and health insurance contributions are due on employment, civil and management income. The social security contribution is calculated on a monthly gross salary and ranges from a minimum amount of ALL 26,000 to a maximum amount of ALL 114,670 (approximately EUR 925). The health insurance contribution is calculated on a monthly gross salary. Self-employed persons must pay social security contribution calculated on the minimum salary of ALL 26,000 and health insurance contribution on the minimum salary of ALL 26,000. Contribution rates are as follows:

Contribution type	Employees		Self-employed
	Employer	Employee	
Social Security Contribution	15%	9.5%	23%
Health Insurance Contribution	1.7%	1.7%	3.4%

## II. Simplified Profit Tax on Small Business

Resident companies or sole traders that have an annual turnover which does not exceed the amount of ALL 8,000,000 (approximately EUR 64,500) are subject to simplified profit tax on small business.

### 2.1 Rates

Annual Turnover (ALL)	Tax rate
0-5,000,000	0%
5,000,001 - 8,000,000	5 %

### 2.2 Taxable Income

Income type	Taxable amount
Income derived from the ordinary course of business activity or closely connected to the ordinary course of business activity	100%
Any rent, royalties, remuneration or other profits arising from property	100%
Income from dividends or from other types of profit distribution	100%
Interest income	100%
Royalties	100%
Capital gains	100%
Other income not included in any of the above	100%

### 2.3 Deductible Expenses

All expenses incurred wholly and exclusively for the production of income are allowed for tax purposes if supported by relevant documents such as tax invoices, foreign invoices, receipts issued by state entities or other documents compiled and issued according to the Ministry of Finance directives.

### 2.4 Non-deductible Expenses

Expense type	%
Rewards or bonuses given in kind	100%
Interest expenses on loans exceeding the average official annual interest rate published	100%
Fines, penalties	100%
If, during the calendar year, the loans and prepayments exceed in average four times the amount of equity, the interest expenses paid for the amount in excess are not considered as deductible expenses	loan/prepayment amount in excess of four times the equity

Sponsorship expenses exceeding 3% of the profit before tax and for media-related sponsorships exceeding 5% of the profit before tax	100%
Any amounts paid or payable in respect of tax	100%
Expenses made for business entertainment, accommodation, hospitality of any kind exceeding the 3% of the turnover	100%
Expenses made for personal needs of the owners, administrator or employees	100%
Depreciation expenses exceeding the rates given by the law	100%
Expenses for services received by non-residents if the withholding tax is not paid within the fiscal period	100%
Expenses resulting from the correction of accounting records related to previous periods	100%
Losses and damages occurred during the production exceeding the limits allowed by the law	100%
Salaries and bonuses if not paid through the bank system	100%
Business trip allowances that exceed the limits set by the Ministry of Finance	100%
The amounts paid in cash exceeding ALL 150,000/ transaction and 10% of the overall annual expenses	100%
Gifts	100%

## III. Corporate Taxation

### 3.1 Corporate Income Tax

Resident companies are subject to corporate income tax on their worldwide income, while non-resident companies are taxed only on their income derived from sources in Albania. Resident companies or sole traders that have an annual turnover higher than ALL 8,000,000 (EUR 64,500) are subject to corporate income tax. Capital gains, dividends, interests, royalties are included in the income of companies and are taxed as part of corporate income tax. Income tax is assessed on a current year basis.

#### 3.1.1 Residency

Tax residency is established when a company has been incorporated in Albania or has a permanent establishment or the management and control is exercised in Albania.

### 3.1.2 Tax Rates

Albania applies a progressive tax system.

The profit tax rates are:

- 5% for taxpayers with annual turnover up to ALL 14 million per year.
- 15% for taxpayers with annual turnover over ALL 14 million per year.
- 5% for taxpayers who develop/produce softwares.
- 5% for taxpayers who carry out economic activities according to law no. 38/2012 “On agricultural cooperative societies”

### 3.1.3 Taxable Income

Under Albanian law, the tax is imposed on the annual net profit, which is determined based on the Financial Statements prepared according to the requirements of the Law “On Accounting and Financial Statements”.

Incomes subject to taxation are:

Income type	Taxable amount
Income derived from the ordinary course of business activity or closely connected to the ordinary course of business activity	100%
Income from the transfer of immovable properties	100%
Any rent, royalties, remuneration or other profits arising from property	100%
Income from dividends or from other types of profit distributions	100%
Interest income	100%
Royalties	100%
Other income not identified in any of the above forms	100%

### 3.1.4 Exempt Income

The following entities are exempt from corporate income tax:

Local and central government bodies	100%
Bank of Albania	100%
Entities which conduct only religious, humanitarian, charitable, scientific or educational activities	100%
Labor organizations and commercial chambers	100%
International organizations and their representative offices, the exemption of which is provided by special treaties	100%
Entities which are exempted according to international treaties ratified by the Parliament of Albania	100%
Movie production companies which are licensed and subsidized by The National Cinematography Centre	100%
Voluntary Pension Funds	100%

## Participations that are exempt from Corporate Income Tax

Dividends and other types of profit shares obtained by Albanian resident companies are excluded from corporate income tax if these dividends are distributed from an Albanian resident taxpayer who is subject to CIT, regardless of the % of participation in the share capital.

### 3.1.5 Deductible expenses

All expenses incurred wholly and exclusively for the production of the income are allowed for tax purposes if supported by relevant documents such as tax invoices, foreign invoices, receipts issued by state entities or other documents compiled and issued according to the Ministry of Finance directives.

Deductible expenses include:

Expense type	%
Expenses of improvements and maintenance (in the year in which they are incurred)	100%
Employer's contributions to the life and health insurance of employees	100%
Scholarships given by public and private educational institutions	100%
Voluntary pension contribution payments	100%
Write-off of debts if all legal means for their collection have been exhausted	100%
Interest (only to the extent that the rate does not exceed the average interest rate published by Bank of Albania and that the amount of the debt does not exceed four times the equity)	100%
Sponsorships	up to 3% of the profit before tax and up to 5% for media-related sponsorships.
Representative and entertainment expenses	Up to 0.3% of the annual turnover
Expenses paid in cash	Limited to ALL 150,000/ transaction and to 10% of the overall annual expenses
Annual depreciation expenses	-Intangible assets up to 15% -Buildings up to 5% -Machinery and equipment up to 20% -Computers and related up to 25% -Furniture and means of transports up to 20% Others up to 20%



### 3.1.6 Non-deductible expenses

Expenses that were not wholly and exclusively incurred for the production of income or even if they were wholly and exclusively incurred for such income but have not been documented properly are not allowable for tax purposes.

Non-deductible expenses include:

Expense type	Non-deductible amount
The cost of acquisition and improvement of land and building site	100%
Rewards or bonuses given in kind	100%
Dividends declared and profit shared among partners or shareholders of commercial companies, as well as profits in case of partnership	100%
Paid interests which exceed the maximum loan interest defined by the Bank of Albania	100%
Fines, penalties	100%
Any amounts paid or payable in respect of tax	100%
Expenses made for business entertainment, accommodation, hospitality of any kind	Exceeding 0.3% of the turnover
Expenses made for personal needs of the owners, administrator or employees	100%
Gifts	100%
Depreciation expenses exceeding the rates given by the law	100%
Expenses for services received by non-residents if the withholding tax is not paid within the fiscal period	100%
Expenses resulting from the correction of accounting records related to previous periods	100%
Losses and damages occurred during the production exceeding the limits allowed by the law	100%
Salaries and bonuses if not paid through the bank system	100%
If during the calendar year, the loans and prepayments exceed in average four times the amount of equity, the interest expenses paid for the amount in excess are not considered as deductible expenses	100%
Interest expenses due to loans from related parties	Only deductible up to 30% of the EBITDA

## 3.2 Withholding Taxes

All resident companies, sole entrepreneurs, central and local governmental bodies, non-profit organisations and any other legal entity registered in Albania shall withhold tax from the following payments generated in Albania:

Taxable payments	Tax rate
Dividends distributed to a nonresident beneficiary	8%
Interest profit shares	15%
Interest paid to a nonresident beneficiary	15%
Royalties paid to a nonresident beneficiary	15%
Payments for technical services, management services, financial services, insurance services	15%
Payments for participations in the boards of directors	15%
Payments for constructions, installations and related supervising works	15%
Rent	15%
Payments for the performances of the entertainers, artists or sportsmen	15%
Incomes from gambling and casinos	15%

The withholding tax rates may be reduced by means of double tax treaties.

The payer of such amounts shall withhold such tax and pay it to the Tax Authorities on behalf of the beneficiary of the payment.

Withholding tax is not applicable in the below cases:

- a) Payments made to residents registered as taxpayers at the Tax Office
- b) Dividends related to participations exempted from corporate income tax
- c) Payments related to international transport

## IV. Indirect taxation

### 4.1 Value Added Tax (VAT)

#### 4.1.1 VAT Registration Threshold

The VAT registration threshold is determined by the Council of Ministers, according to the economic and administration factors. The current threshold is ALL 2,000,000 (approximately EUR 16,200) in a calendar year. In addition, VAT is levied on every physical person or legal entity which imports-exports goods irrespective of the annual turnover and on freelance professionals such as lawyers, notaries, certified accountants, engineers, midwives and nurses, architects etc. irrespective of their annual turnover.

Voluntary registration: Every physical person or legal entity that is not obliged to be registered for VAT, according to the abovementioned conditions, but offers taxable supplies of goods or services in Albania, can voluntarily register for VAT at the respective Tax Directorate.

#### 4.1.2 Rates

General rate (applied on domestic transactions and on imports of goods)	20%
The supply of licensed public transport by bus with ten or more seats.	10%
Accommodation service in accommodation structures.  Any service supply provided within accommodation facilities of Five Stars Hotels / Resorts with Special Status, as defined in the tourism legislation, bearers of an internationally registered and internationally recognized trademark name.  Structures that that operate in activities certified as "Agrotourism", for the provision of accommodation and restaurant services, excluding beverages.  The supply of advertising services from audiovisual media.  The supply of books of any kind.	6%
Exports of goods out of Albania and international transport of goods and passengers	0%

#### 4.1.3 Exempted supplies of goods and services

Insurance and reinsurance transactions, including related services performed by insurance brokers and insurance agents	100%
The granting and the negotiation of credit and the management of credit by the person granting it	100%
The negotiation of or any dealings in credit guarantees or any other security for money and the management of credit guarantees by the person who is granting the credit	100%
Transactions, including negotiation, concerning deposit and current accounts, payments, transfers, debts, cheques and other negotiable instruments, but excluding debt collection	100%

Transactions, including negotiation, concerning currency, bank notes and coins used as legal tender, with the exception of collectors' items	100%
Transactions, including negotiation but not management or safekeeping, in shares, interests in companies or associations, debentures and other securities, but excluding documents establishing title to goods, and the rights or securities referred to in Article 8 of the Law on VAT	100%
The management of special investment funds as defined by the Law on Collective Investment enterprises	100%
The supply at face value of postage stamps valid for use for postal services within their respective territory, fiscal stamps and other similar stamps	100%
Betting, lotteries and other forms of gambling, subject to the conditions and limitations defined by the Law on Gambling	100%
The supply of a building or parts thereof, and of the land on which it stands, other than the supply of the construction/building process	100%
The supply of land which has not been built on other than the supply of building land	100%
<p>The leasing or letting of immovable property, excluding:</p> <ul style="list-style-type: none"> <li>• The leasing or letting of buildings for a period of up to two months</li> <li>• The provision of accommodation in the hotel sector or in sectors with a similar function, including the provision of accommodation in holiday camps or on sites developed for use as camping sites;</li> <li>• The letting of premises and sites for the parking of vehicles;</li> <li>• The letting of permanently installed equipment and machinery;</li> <li>• The hire of safes.</li> <li>• Supply of identity cards for citizens;</li> <li>• The supply of printing services for newspapers, the supply of newspapers, magazines and books of any kind, and supply service advertisements in the press and electronic media;</li> <li>• Services supplied by contractors and subcontractors, certified as such by the national agency of natural resources, relating to performance of stages of the exploration and the goods supplied by contractors to each other, or which subcontractors provide to their contractors, imported according to this law.</li> </ul>	100%
The supply of services intended solely for the realization of the hydrocarbon oil exploration phase, carried out by contractors or subcontractors, as certified from the National Agency of Natural Resources	100%

## 4.2 Customs Duty

Customs duty in the Republic of Albania is applied by the custom authorities on the import of goods. The liability to pay the duty is always on the importer of goods, but it is added to the cost of goods and in this way it is finally passed on to the consumers.

Customs duty is based generally on the value of goods or upon the weight, dimensions, or some other criteria of the item. The customs duty rates range between 0% and 15%, depending on the type of goods. e.g. customs duty on imports of vehicles is 0%.

## 4.3 Excise Duty

Excise duty in the Republic of Albania is an indirect tax applied on the importation or production of certain goods, such as tobacco products, alcoholic drinks, coffee, petroleum (and petroleum by-products), packaging products etc. The liability to pay excise duty is on the manufacturer or producer of goods although it is normally added to the cost of goods and is collected by the manufacturer from the buyer of goods.

For the excise duty there is no standard rate, the level for each product that is subject of such tax is different and it is normally calculated on kg, liter or pieces basis.

## V. Local and Other Taxes, Fees

<b>Tax on Immovable Property</b> - Individuals and business are subjects to tax on immovable property. The tax is calculated as an annual obligation and is levied on buildings, grounds and agricultural land.
<b>Real Estate Tax on Buildings</b> – the taxable base is the market value of the building (previously, the building's surface). The tax rate ranges from 0.05% (buildings used as a dwelling) to 0.2% (buildings used for economic activity).
<b>Real Estate Tax on Grounds</b> Ground tax - ranges from 0.14 ALL/M2/year to 0.56 All/m2/year for personal use and 12 All/m2 to 15All/ m2 for business purpose.
<b>Real Estate Tax on Agricultural Land</b> – at rates ranging from ALL 700 to ALL 5,600 per hectare, depending on their use.
<b>Tax on Infrastructure Effect of New Constructions</b> - from 1% to 3% of the new investment value; in Tirana Municipality it varies from 2% to 4% of the investment value.
<b>Hotel Accommodation Tax</b> - The tax base is the number of nights a person stay in a hotel. The rate varies from 35 ALL/night to 350 ALL/night depending on the region where the hotel is located.
<b>Real Estate Transfer Tax</b> - is levied upon the transfer of immovable property located in Albania. Both sales and donations are subject to transfer tax. The seller or the donor is the person liable to pay the tax. The tax is calculated as a fixed amount per m2 for buildings (ALL 1,000 for residential buildings and ALL 2,000 for commercial buildings in Tirana; less for other cities) or as a percentage (2%) of the taxable base for other immovable properties.
<b>Tax on Boards</b> - is paid annually for the boards placed for publicity purposes. A promotional board is considered to be a board with a surface over 2m2. The tax is ALL 45,000 (app. EUR 320) per m2 per year.
<b>Motor Vehicles Tax</b> – its amount depends on the type of the vehicle and its technical characteristics.
<b>Stamp Duty</b> is levied up to ALL 2,000.
<b>Traffic Tax Over Petrol and Diesel</b> – ALL 27/ liter
<b>Port Charges</b> – 1 Euro

## VI. Tax Calendar

Activity	Deadline
Declaration of annual personal income tax return	By the end of April of the following year
Declaration and payment of annual corporate income tax return	By the end of March of the following year
Declaration and payment of VAT	By the 14 <sup>th</sup> of the following month
Declaration and payment of social and health insurance contribution	By the 20 <sup>th</sup> of the following month
Declaration and payment of Excise	By the 15 <sup>th</sup> of the following month
Corporate income tax prepaid installments	By the end of each quarter (last day of March, June, September and December)
Submission of Financial Statements at the Tax Office	By the end of March of the following year
Declaration of dividend distribution and payment of related withholding tax	By the end of July of the following year
Submission of Financial Statements at National Registration Center	By the end of July of the following year
Withholding tax	By the 20 <sup>th</sup> of the month following the month in which the payment of service was made
Declaration and payment of gambling tax return	By the 10 <sup>th</sup> of the following month
Declaration of annual simplified profit tax on small business	By February 10 <sup>th</sup> of the following year
Simplified profit tax on small businesses prepaid installments Companies that have an annual turnover from ALL 5,000,000 up to ALL 8,000,000	By: 1. April 20 <sup>th</sup> – 1 <sup>st</sup> installment 2. July 20 <sup>th</sup> – 2 <sup>nd</sup> installment 3. October 20 <sup>th</sup> – 3 <sup>rd</sup> installment 4. December 20 <sup>th</sup> – 4 <sup>th</sup> installment
Controlled transaction notification	End of March of the following year

## VII. Administrative Penalties

Activity	Penalty
Noncompliance with the requirement to register or to update the status of registration data	<ul style="list-style-type: none"> <li>• ALL 10,000 for NGO</li> <li>• ALL 15,000 for commercial companies</li> </ul>
Late submission or non submission of a notice/return by the prescribed deadlines from Tax Authorities	<ul style="list-style-type: none"> <li>• ALL 10,000 taxpayers that fall in the category of subject to CIT</li> <li>• ALL 5,000 other taxpayers</li> </ul>
Late submission or non submission of a notice/return by the prescribed deadlines from National Registration Center	ALL 15,000
Late payment or default of tax liabilities by the prescribed deadlines	0.06% of the unpaid tax liability per each day of delay; in any case the penalty cannot exceed the total period of 365 days
Failure to pay on time Income Tax Prepayment Installments	Penalty 10% of the tax liability
Erroneous completion of a tax filing or a tax refund claim	0.06% of the unpaid tax liability per each day of delay; in any case the penalty cannot exceed the total period of 365 days
Concealment of tax obligations	100% of the tax amount evaded
Improper administration of 'sales and purchases books' and documentation	ALL 50,000
The failure to issue a VAT fiscal invoice for the whole amount of the transaction.	100% of the undeclared and unpaid tax liability apart from the penalties determined
Failure to calculate and declare withholding tax	50% of the unpaid tax liability
Transfer Pricing – Noncompliance to the "Notification of the annual controlled transactions"	ALL 10,000 per each month of delay



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