

Muja Law brings you the latest publication of *Tax Update*.

This issue deals with the provisions of Instruction No.2727, dated 04.02.2020, of the Minister of Finance and Economy and the General Director of State Cadaster Agency (“*Instruction*”).

The Instruction, titled “*On implementation procedures of law No. 90/2019, ‘On the revaluation of immovable property’ and setting of the service fee*”, has been recently published in the Official Gazette No.13, dated 05.02.2020. It provides the necessary procedure to follow for the property revaluation, the competent authorities, as also the service fee and tax amount to be paid for the process finalization.

Some of the most important aspects of this Instruction are as follows:

General provisions on individuals

All individuals who own a registered immovable property (land and/or building), or acquire and register it by September 30, 2020, shall be entitled to reevaluate that property within this period at market value. This includes the cases in which the immovable property has previously been revaluated.

An individual may choose whether to reevaluate the property by the State Cadaster Agency (“SCA”) or by a licensed expert in property valuation. In order to benefit from the revaluation, the individual must first pay the revaluation tax (3% of the taxable amount) and the service fee, according to law No. 90/2019 “On revaluation of immovable properties”.

If the individual owns more than one immovable property and wants to reevaluate

each of them, the revaluation procedure will be individual for each of those properties.

Calculation of property revaluation taxable base for individuals

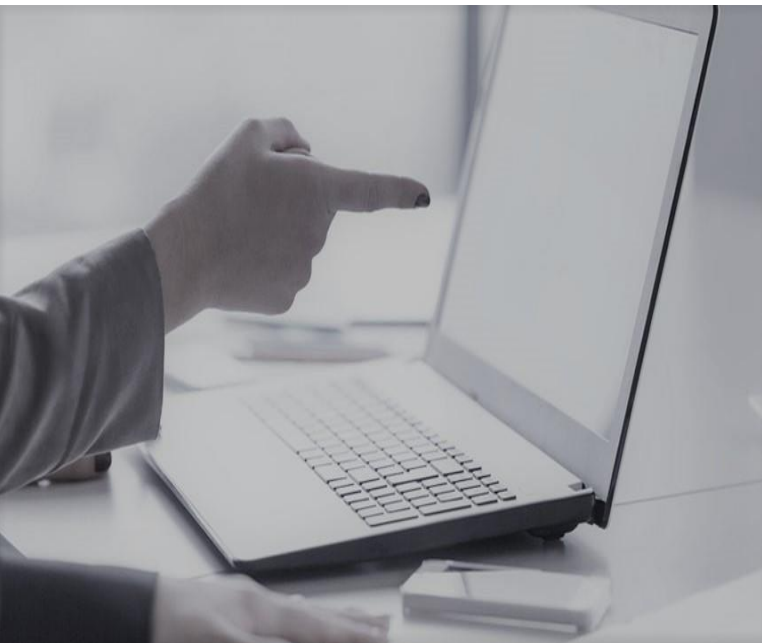
If the individual chooses to re-evaluate the property by SCA, it shall be done at the minimum fiscal prices, applicable at the time of conducting the revaluation process and in accordance with the provisions of the tax instruction on immovable property rights’ transfer. In this case, the taxable amount will be calculated as the difference between the revalued amount (subject to the applicable fiscal minimum prices) and the deductible amount.

If the individual chooses to reevaluate the property by a licensed expert, the taxable amount will be calculated as the difference

between the value reflected in the property valuation act and the deductible. In any case, the value reflected in the property revaluation act by the licensed expert may not be less than the minimum fiscal price.

The deductible value, as in the above cases, is the value of the property under the deed (of ownership gain) or the previous revaluation (for which the tax has previously been paid). In cases where the immovable property turns out to be registered without a sale-purchase contract, then in order to determine the deductible, the SCA's local directorate shall rely on the value of the minimum fiscal prices at the time of registration of the act of acquiring the ownership.

For the implementation of this instruction, within 5 days after its entry into force, the Ministry of Finance and Economy shall ask the responsible Ministry for infrastructure and the National Housing Entity the price list of the average cost of houses' construction, in digital format.



Application procedure by individuals

The revaluation procedure by individuals can be done online, or in person in front of SCA local directorate.

A. Online application

The individual or their representative can apply online for the property revaluation service through the government e-Albania portal, by filling the identification data of the immovable property or by uploading a scanned copy of the property's documentation. In order to obtain an official document reflecting the revaluation's registration, the individual must also apply for the service of obtaining a copy of the immovable property's card or certificate (for properties that have not been subject to initial registration). The application for these services shall be addressed to the competent SCA local directorate/office for the territory, where the immovable property is located.

Afterwards, an invoice shall be signed and stamped electronically by the local SCA office and, along with the service charges, will be sent to the applicant through the government e-Albania portal.

When an individual requests the revaluation through an act of a licensed expert, he/she shall physically send via mail the original property revaluation act, signed and stamped by the property valuation expert, as well as a notarized copy of the latter's license. Afterwards, the sending, via the platform, of an electronically signed and stamped tax invoice, together with the service charge, shall be performed by the SCA local office. For this procedure, in addition to the online application, the individual must submit the above physical documentation via mail to the local office of SCA.

Once the payment of the revaluation tax and service fees has been verified, the individual's

application shall be considered completed and the SCA is obliged to reflect the revaluation in the immovable property registry.

B. Application in front of SCA

Exceptionally, in cases where it is impossible to administer the application through the government e-Albania portal, the application must be submitted to the reception desk (counter) at the competent local directorate/office of SCA, submitting a "Revaluation Request" form. In order to obtain an official document reflecting the revaluation registration, the individual must also apply for the service of obtaining a copy of the immovable property's card or certificate (for properties that have not been subject to initial registration).

The individual or his/her representative, with a power of attorney, shall in any case be presented with an identification document at the SCA Reception Office. He/she will be provided with two copies of the "Revaluation Request" form, from the responsible employee, which shall be completed by the applicant.

The employee then shall calculate the tax to be paid by the applicant for the registration of the revaluation and shall provide a copy of the form to the individual or his representative. The individual or his/her representative shall also be provided with an invoice for payment of the tax and service fees.

Upon payment of tax and service fee in the bank, the individual must submit proof of payment to the local SCA department. The proof of payment is then attached to the application form. Upon payment of tax and service fees, the application shall be considered completed and the local

directorate shall reflect the revaluation in the immovable property registry.

Application procedure by legal persons

Legal persons, which have recorded immovable property with a value less than that of market value as their assets in the 2019 financial statements, are entitled to reevaluate these properties, within the application period. Valuation experts, independent experts licensed by the relevant immovable properties revaluation institutions, do the revaluation at market value.



The representative of the legal person submits to the Regional Tax Directorate, where the legal person is registered to, the following documents:

- a) Voluntary declaration for revaluation of assets;
- b) Power of attorney for the legal representative, if such procedure is conducted by a legal representative appointed by him;

- c) A copy of the independent valuation expert's license;
- d) A copy of the service's invoice of the valuation expert;
- e) The original act of immovable property's revaluation signed and sealed by the valuation expert;
- f) The financial statement (balance sheet) of 2019, in which results the revalued immovable property recorded in the assets, including the explanatory annexes of the revalued property;
- g) A copy of the property revaluation payment's statement, at a rate of **5%** of the difference between the revaluation value and the value of the immovable property recorded in the financial statements. Payment shall be made to one of the commercial banks on behalf of the Treasury of the Ministry of Finance and Economy.

The legal person holds an immovable property card, stating the relevant value of the immovable property from the moment of initial recognition of the asset and the relevant tax paid under applicable legislation.

The date of immovable property's revaluation shall be considered the date when tax payment is done.

Difference between the value resulting from revaluation, according to the relevant act of the expert and the value recorded in the financial statements, shall be recorded in the financial statements in accordance with law no. 9228, dated 29.04.2004, "*On Accounting and financial statements*", as amended, and in compliance with law no. 8438, dated 28.12.1998, "*On Income Tax*", as amended.

This value shall not be depreciated for tax purposes.

Revaluation Service fee

The revaluation service fee for individuals at the SCA is 1200 ALL.

Benefits from revaluation procedure

After carrying out a revaluation, for individuals under this instruction, in cases of ownership transfer of the revalued immovable property, pursuant to Law no. 8438, dated 28.12.1998, "On Income Tax", as amended, the tax is calculated according to the legislation in force on the realized profit, *as the difference of the value at the moment of ownership transfer, with the revalued amount for which the tax was paid. If this difference is negative, the individual does not pay tax.*



Entry into force and period of application

This Instruction has entered into force after its publication in the Official Gazette.

Applications for immovable properties revaluation shall be submitted until September 30, 2020. Applications filed with the SCA within September 30, 2020, but not completed, will be processed after this date, if the revaluation tax has been paid within the above date.



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The office is full-service and advises clients on all areas of civil, commercial and administrative law. With significant industry expertise, we strive to provide our clients with practical business driven advice that is clear and straight to the point, constantly up to date, not only with the frequent legislative changes in Albania, but also the developments of international legal practice and domestic case law. The office delivers services to clients in major industries, banks and financial institutions, as well as to companies engaged in insurance, construction, energy and utilities, entertainment and media, mining, oil and gas, professional services, real estate, technology, telecommunications, tourism, transport, infrastructure and consumer goods. In our law office, we also like to help our clients with intermediary services, as an alternative dispute resolution method to their problems.

While we have grown over the past 20 years and become recognized as one of Albania's leading law offices, we are grounded in the essence of "who" we are and "where" we started. We understand the importance of family, hard-work, and dedication.

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