

# INSIDE THIS ISSUE

---

## PG. 2

Fiscal Package 2020 has entered into force in Albania since January 15<sup>th</sup> 2020. Here are some of the most important amendments introduced with this package...

---

## PG. 5

E-Invoice is the trending word in Albania. On January 20, 2020, was published Law No. 87/2019 “On invoice and circulation’s monitoring system” (“*Law on invoice*”), dated 18.12.2019...



# JANUARY 2020

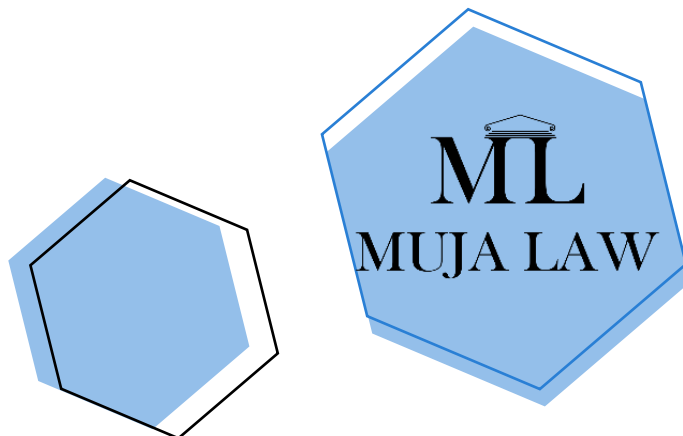
Muja Law brings you the Legal Bulletin. This publication is a collection of the most important legal updates published by our office during January.

The purpose of this monthly issue is to help professionals and businesses have a clear understanding of the dynamics of Albanian legislation and easily navigate through recent legal changes frequently published by our legal office.

# FISCAL PACKAGE 2020

## TAX PROCEDURES LAW (LAW NO. 9920/2008)

- In specific cases, tax amounts to be paid or paid in excess in the tax or customs administration may be set off against each other. However, this provision will apply only on specific cases. The Minister of Finance shall define, through an instruction, the criteria for the application of this provision and the entities that will benefit from it.
- On specific cases, upon the request of the tax administration, the taxpayer may enter into an installment payment agreement with the tax administration by setting a detailed payment plan for the liabilities of the tax administration against the taxpayer. When such an agreement is entered into, the obligation of the tax authorities toward the taxpayer is considered as fulfilled and no late payment interest shall apply. The procedures for the application of this disposition will be determined through a decision of the Council of Ministers. This disposition will be applicable until 30.06.2021.
- In case of incompliance with the new e-invoicing system, fines and/or penalties shall apply. Fines have now been amended, with each fine being specified in three levels:
  - a) The lower amount for taxpayers that are not registered for VAT (annual turnover up to ALL 2 million);
  - b) The second category for taxpayers that are subject to simplified profit tax (annual turnover up to ALL 8 million);
  - c) The highest fines are applied to taxpayers that are registered for profit tax (annual turnover more than ALL 8 million).
- In case of violations, such as those related to registration of taxable persons, use of fiscal equipment, documentation of goods, documentation of sale transactions of goods or services and issuance of tax invoices, registration of employees, or any other verification of implementation of tax legislation, the tax administration may carry out on-site inspection without a prior written notification, but only with an ID document and the daily working order.





## INCOME TAX LAW (LAW NO. 8438/1998)

- ❖ Individuals employed in more than one employer must fill-in the annual tax return on personal income, irrespective of the amount of total annual income. Such individuals have to declare in their tax return, the total income from employment and calculate the tax obligation based on the progressive tax rates. The employees shall pay the personal income to tax authorities after deducting the tax withheld by the employers during the year (if any).
- ❖ Transfer of the ownership title of the house and/or land between family members (such as between husband and wife, or between parent and children), through donation or renunciation from the ownership right, is exempt from personal income tax. However, only one transfer of ownership right to each beneficiary is exempt.
- ❖ The expenses for participation in fairs or expositions abroad, incurred by exporters are recognized as deductible tax expenses up to 3% of the annual turnover. However, in order for this rule to apply, the taxpayer should have generated more than 70 per cent of their income from export sales during the last three years.
- ❖ When legal entities that generate an annual taxable profit of more than 100 million Leke sponsor sports teams' part of recognized federations, they shall recognize as tax deductible expense an amount which is three times the sponsored amount. The deduction cannot be carried for future tax periods. The sponsorship amount should not exceed the limits set in the law no. 7892, dated 21.12.1994 "On sponsorship". This provision is applicable when and only if the sponsor has obtained a "Sponsorship authorization" from the General Tax Director according to the procedures to be detailed in an instruction from the Minister of Finance.
- ❖ Taxpayers that invest in business projects in a value of more than 1 billion Leke, have the right to carry forward losses in the next 5 tax years, while on the other hand taxpayers will continue to carry forward their losses for a period up to 3 years. The Minister of Finance will define through an instruction the criteria for the application of this provision.
- ❖ Legal entities that conduct economic activity in the automotive industry are subject to a profit tax rate of 5%. The Council of Ministers will determine through a decision the activities, criteria and procedures for the implementation of this provision.
- ❖ Provisions of a tax treaty on avoidance of double taxation on income and on capital prevail over the Albanian law with respect to taxation of capital gains from sale of shares. The rules on taxation of capital gain from sale of shares will not be applicable in case a tax treaty regulates the taxation of such shares' transfer.



## VALUE ADDED TAX (LAW NO. 92/2014)

- ❖ The supply of new electric vehicles (that have only an electric motor) and are not registered in any other state will be exempted from VAT (including import or local supplies). The supply of electric vehicles of 9+1 seats used for public transport will be subject to the reduced VAT rate of 6%.
- ❖ Supply of construction services for construction of buildings destroyed from the earthquake will be exempt from VAT during the rebuilding process. Same exemption applies to direct suppliers of constructors for services and goods acquired during the said process. The General Tax Director should authorize such exemption. The Council of Ministers shall determine the procedure for the VAT exemption.
- ❖ In case of reverse charge, the issue of the invoice from the recipient should be made not later than the 10th of the month following the month when VAT arises.

## NATIONAL TAXES

- Value of vehicles classified as “Luxury 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.
- The category of persons with disabilities are exempt from annual taxes on used vehicles of 4+1 seats and cylinders not more than 2500 cubic meters, when used for personal interests.
- The penalty for late payment of the annual tax on used vehicles will be 0.06% of the unpaid tax obligation for each day of delay up to a maximum of 365 calendar days.

## REVALUATION OF IMMOVABLE PROPERTY

- Individuals who own immovable property have the right to revalue their immovable property at market value, starting from 14th of January 2020 until 30th of September 2020. The revaluation can be done by

an expert licensed for the valuation of immovable property or by the local office of the State Agency of Cadaster.

- The tax payable on the revaluation is calculated at 3% of the taxable base. In case of revaluation of the property from a licensed expert the taxable base is calculated as the difference between the value indicated in the evaluation report, which may not be less than the minimum fiscal prices, and the value of the property of the registered act or revalued value for which the tax has been paid. In case of revaluation of the property from State Agency of Cadaster, the taxable base will be the difference between the reassessed value at the minimum fiscal prices and the value of the property of the registered act or revalued value for which the tax has been paid. In case of revaluation of legal entities’ immovable properties, the tax payable on the revaluation will be calculated at 5% of the taxable base. The taxable base will be calculated as the difference between the reassessed value and the accounting book value of the immovable property.



# LAW ON INVOICE

## SUBJECTS

*The law on invoice applies to all taxpayers that issue an invoice, according to this law and the legislation in force on the added value tax, public authorities, as also banks, non-bank financial institutions and other subjects, that offer electronic invoice payment services.*

In addition, law on invoice provides that taxpayers, that must issue an invoice, despite their annual circulation, realized in the previous or actual year, are the entities or natural persons, as follows:

- a) Taxpayers subject to the profit tax, in accordance with law on income tax;
- b) Taxpayers subject to the simplified profit tax for the small business, in accordance with the legislation in force for the local tax system;
- c) Taxpayers that exercise their financial activity, in accordance with the legislation in force on added value tax, despite their organization form, including non-profit organizations, project implementation units, central and local public authorities, political organizations and other similar subjects;
- d) Resident or non-resident taxpayers, despite their organization form, when they supply goods or services for public authorities, except when a public authority is subject to VAT and is obliged to issue an invoice as goods' or services' receiver;
- e) Non-resident taxpayers, for services' supply in the Republic of Albania, when, in accordance with the tax legislation, according to the above provisions, are subject to tax obligations in the Republic of Albania through a tax representative.

On the other hand, as an exception from this law's provisions, the taxpayer is not obliged to issue an invoice for the types of activities and for the supply of goods and services, as follows:

- a) For agricultural producers, that are subjects of the compensation scheme, or not, in accordance with the legislation on the added value tax in the Republic of Albania;
- b) For the sale of tickets or coupons from a transport vehicle's driver in the public urban transportation lines, in accordance with decisions from the self-governing local units;
- c) For the supply of goods and services from registered natural subjects as "ambulant" in the tax administration. Despite these provisions, the taxpayer is not obliged to issue an invoice even in other cases of exception from this obligation, in accordance with the legislation in force on added value tax.

According to the provisions of the law on invoice, the taxpayers specified therein are obliged to issue an invoice for any goods or services' supply that is part of their financial activity. Supply of goods and/or services and financial activity are determined in accordance with the legislation in force for the added value tax and the bylaws for its implementation.

## INVOICE ISSUANCE

The law on invoice provides that the invoice shall be issued at the time of supply of the goods or services, unless otherwise specified in this law and in the legislation in force on value added tax. In cases where taxpayers issue invoices for payments made prior to the supply of goods or before the end of the supply of services, the invoice shall be issued immediately and, in any case, not later than 72 hours after receipt of payment

## E-INVOICE ELEMENTS

In addition to general invoice's data and descriptions, the electronic invoice contains information about the process, invoice identifiers, vendor and buyer central email addresses on the central invoice platform and, if applicable:

- a) Payment's beneficiary data;
- b) Details of the seller's tax representative;
- c) The contract reference;
- d) Delivery data;
- e) Price details.

The Minister in charge of finance shall, by instruction, determine the technical elements and the procedure for issuing and exchanging electronic invoices and their accompanying documents.

In addition, the law specifies that after the first registration of data on the place of business conduct, the central tax administration information system generates the code of this place. The central tax administration issues a confirmation of registration of the place of business conduct, together with its

code, electronically. This registration confirmation is stored on the central invoice platform, in the taxpayer's user account.

## ELECTRONIC CERTIFICATE

- In order to implement the invoice fiscalization procedure, the taxpayer issuing the invoice must be provided with an electronic certificate, which is generated and issued by National Agency of the Information Society ("NAIS"), as the central state institution that administers and maintains the government's public keys infrastructure.
- The electronic certificate issued by NAIS shall be stored in a physical environment with a high level of security, without prejudice to its conformity and confidentiality.
- NAIS is charged with creating, developing, maintaining and technically administering the central invoicing platform through which electronic invoices are exchanged.
- Electronic invoices issued under this law shall comply with this law and the technical specifications set forth in Albanian Standards ("AS"), or other equivalent documents.
- The authenticity of the origin, the integrity of the content and the readability of the invoice, whether in paper or electronic form, are guaranteed from the moment of its issue until the end of the invoice's storage period.

### FISCALIZATION PROCEDURE

- The law provides that the taxpayer issuing the invoice must electronically sign each invoice at the time of issue and send it to the central tax administration via an internet connection before issuing it to the buyer.
- All invoice buyers or recipients can verify that their invoice has been fiscalized and reported to the central tax administration within 60 days of the invoice being issued.

### ENTRANCE INTO FORCE

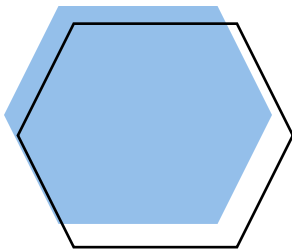
This law enters into force 15 days after its publication in the Official Journal. Except otherwise provided, depending on the type of transaction, this law shall take effect as follows:

- a) For cash transactions by taxpayers subject to value added tax and profit tax with annual income over ALL 8 million, the effects of this law shall begin on September 1, 2020.
- b) For cash transactions by taxpayers subject to value added tax and simplified profit tax on annual income over ALL 2 million, the effects of this law shall begin on January 1, 2021.

- c) For cash transactions by taxpayers subject to simplified profit tax with annual income up to ALL 2 million, the effects of this law shall begin on January 1, 2021.
- d) For cashless transactions between taxpayers and public authorities, the effects of this law shall begin on January 1, 2021.
- e) For cashless transactions between taxpayers, the effects of this law shall begin on July 1, 2021.

### TRANSITORY PROVISION

For the period from the date of entry into force of this law until March 31, 2020, new taxpayers registered with the National Business Center and Tax Administration, from the date of entry into force of this law until 31.3.2020, for each cash transaction, issue an invoice or coupon or tax receipt, and submit the purchase book and sales' book in the form and procedure set forth in this Law and/or the applicable tax law and tax legislation in force for the value added tax. From April 1, 2020 until entrance into force of this law, these taxpayers may issue invoices in accordance with this law or tax coupons and/or other documents, subject to the provisions of the applicable legislation on tax procedures.



If you wish to know more on our publications, legal updates, tax updates, legal bulletins, or other articles, you may contact the following:

[contact@mujalaw.com](mailto:contact@mujalaw.com)

**Muja Law Office**

Bulv. Gjergj Fishta, Pall. 36, Zyra 14, pranë Gjykatës së Rrethit Gjyqësor Tiranë

1001 Tirana

Albania

Mob: +355 69 28 28 562

Web: [www.mujalaw.com](http://www.mujalaw.com)



**Muja Law** is a family-run law office where we work hard for the success of our clients and to provide excellence in legal service. Our roots go back to 2001 when our Managing Partner, Krenare Muja (Sheqeraku), opened her law practice office in Tirana, Albania. Krenare's son Eno joined her in 2014, and the other son Adi entered the practice in 2019. What started in Tirana as a small, family-run law office has grown and flourished in the community for the last 20 years. The office consists of various respected and talented lawyers who possess outstanding educational and community service backgrounds and have a wealth of experience in representing a diverse client base in various areas of the law.

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.*

*Legal Bulletin is an electronic publication drafted, edited and provided by Muja Law to its clients, business partners, and other professionals interested in being informed on the latest monthly legal developments. The information contained in this publication is of a general nature and is not intended to address the circumstances of any particular individual or entity. This publication is not intended to be and should not be construed as providing legal advice. Therefore, no one should act on such information without appropriate professional advice after a thorough examination of the particular situation. Although every effort has been made to provide complete and accurate information, Muja Law makes no warranties, express or implied, or representations as to the accuracy of content on this document. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Muja Law assumes no liability or responsibility for any error or omissions in the information contained in this document. Also, feel free to consult the Legal Bulletin on the section "Library" of our website.*

© 2020 Muja Law. All rights reserved.

*This publication is copyrighted and is protected to the full extent of the law. Nevertheless, you are free to copy and redistribute it on the condition that full attribution is made to Muja Law. If you have not received this publication directly from us, you may obtain a copy of any past or future related publications from our marketing department ([muja@mujalaw.com](mailto:muja@mujalaw.com)) or consult them in our website ([www.mujalaw.com](http://www.mujalaw.com)). To unsubscribe from future publications of Legal Bulletin, please send "Unsubscribe" by replying to our email accompanying this edition.*