

# Albania

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## A. At a glance

Name of the tax	Value-added tax (VAT)
Local name	Tatimi mbi Vleren e Shtuar (TVSH)
Date introduced	27 April 1995
Trading bloc membership	Central European Free Trade Agreement
Administered by	General Directorate of Taxes of Albania
VAT rates	
Standard	20%
Other	6%, zero-rated (0%) and exempt
VAT number format	A23456789B
VAT return periods	Monthly
Thresholds	
Registration for resident taxable persons	Annual turnover of ALL10 million
Registration for exporters, importers, non-established businesses	Subject to registration regardless of turnover
Recovery of VAT by non-established businesses	No

## B. Scope of the tax

VAT applies to the following transactions:

- The supply of goods and services performed by a taxable person in Albania
- Importation of goods into Albania, regardless of the status of the importer
- Services supplied to taxable persons in Albania by service providers, of which the place of business is outside Albania
- Certain supplies of services rendered to nontaxable persons in Albania by providers whose place of business is outside Albania, such as digital services and services related to an immovable property located in Albania

The use of goods or services purchased or produced in the course of a business activity for private purposes constitutes a taxable supply to the extent the VAT on those supplies was deducted.

**Effective use and enjoyment.** To avoid instances of non-taxation or double taxation, jurisdictions can apply “use and enjoyment rules” that allow a service that is “used and enjoyed” in the jurisdiction to be taxed or prevent a service that is “used and enjoyed” outside the jurisdiction from being taxed. If a service is taxed in the jurisdiction under the “use and enjoyment” provisions, a non-established supplier of the service may be required to register for VAT in that jurisdiction where it has customers that are not taxable persons. In Albania the VAT law provides for the application of the use and enjoyment rules as a deviation from the main rules for determining the place of supply of services. These rules apply to services such as advertising, telecommunication and broadcasting regardless of whether they are provided to taxable or non-taxable persons, i.e., business to business (B2B) and business to consumer (B2C).

**Transfer of a going concern.** Normally the sale of the assets of a VAT-registered or VAT-registrable business will be subject to VAT at the appropriate rate. However, a transfer of a business as a going concern (TOGC) may be outside the scope of the tax under certain conditions. A TOGC is the sale of a business or part of a business capable of separate operation, including assets. Where the sale meets the conditions, the supply is treated as outside the scope of VAT. In Albania, a TOGC is treated as outside the scope of VAT where the following conditions are met:

- A group of assets forming part of a business activity, or an entire business activity is transferred
- The transfer is performed between two taxable persons (B2B)
- The transferee ensures the continuity of the business activity or part of it transferred

**Transactions between related parties.** In Albania, for a transaction between related parties the value for VAT purposes is calculated at market value. The market value is defined as the consideration that an independent buyer would be willing to pay for the supply of goods or services under open market conditions. In case no comparable value are available, the market value can be determined as follows:

- For supplies of goods, an amount not less than the purchase price or the acquisition costs at the moment of the supply
- For supply of services, an amount not less than the full costs incurred for performing the services

### C. Who is liable

Any person (entity or individual) that makes supplies in the course of the person’s independent economic activity is liable to VAT.

Taxable activities also include “the exploitation of tangible or intangible property for the purposes of obtaining income from that on a continuing basis.”

**Exemption from registration.** The VAT law in Albania does not contain any provision for exemption from registration.

**Voluntary registration and small businesses.** A taxable person established in Albania is obliged to register for VAT purposes and charge VAT if the annual turnover in the previous 12 months exceeds ALL10 million. Once this threshold of ALL10 million is exceeded, any supply shall be subject to VAT and the taxable person is required to apply for VAT registration within 15 days.

Taxable persons with an annual turnover less than ALL10 million but greater than ALL5 million may voluntarily register for VAT, and that taxable person must remain registered for a minimum of two years.

Persons involved in import or export activities must register for VAT regardless of the amount of turnover.

**Group registration.** Group VAT registration is not allowed in Albania.

**Fixed establishment.** A foreign business is deemed to have a fixed establishment for VAT purposes in Albania where it has any establishment characterized by a sufficient degree of permanence and a suitable structure in terms of human and technical resources that would enable it to provide the services that it supplies, and/or to receive and use services supplied to it for its own needs.

**Non-established businesses.** A “non-established business” is a business that does not have a fixed establishment in Albania.

No VAT registration threshold applies to taxable supplies made in Albania by a non-established business. A non-established business must register for VAT in Albania if it engages in any of the following supplies:

- Supply of goods located in Albania at the time of supply
- Certain supplies of services to nontaxable persons in Albania, such as digital services and services related to an immovable property located in Albania
- Import and export activities in Albania

**Tax representatives.** A non-established business must appoint a resident VAT representative to register for VAT purposes in Albania unless the reverse-charge mechanism applies. The VAT representative may act on behalf of the taxable person for all purposes related to VAT and is jointly liable for compliance with all VAT obligations of the non-established business.

**Reverse charge.** The reverse-charge mechanism applies to supplies of services made by a non-established business to taxable persons in Albania. A non-established business is not required to register for VAT if all its taxable supplies in Albania fall under the reverse-charge mechanism.

**Domestic reverse charge.** There are no domestic reverse charges in Albania.

**Digital economy.** Albania follows the destination principle regarding cross-border digital services supplied to nontaxable persons in Albania. The place of supply of cross-border digital services to nontaxable persons is the place where the nontaxable person is established or where it has its permanent address or usually resides.

Therefore, nonresident providers of electronically supplied services for B2C supplies are required to register and account for VAT in Albania. This is done by appointing a VAT representative in Albania to account for and pay VAT liability. No VAT registration threshold applies.

Nonresident providers of electronically supplied services for B2B supplies are not required to register for VAT in Albania. Instead, the customer is required to self-account for the VAT via the reverse-charge mechanism (see the *Reverse-charge* subsection above).

Imported goods are exempt from import duties and VAT, if the goods are purchased through the internet and imported into Albania through postal mail with a value lower than EUR22 (and its equivalent in ALL).

**Online marketplaces and platforms.** The above rules for the digital economy also apply to online marketplaces and platforms, i.e., the place of supply for services supplied by electronic means to nontaxable persons is the place where that person is established or where they have their permanent address or usually resides.

**Registration procedures.** The application for registration can be performed online, in person at the counters of the Agency for the Delivery of Integrated Services Albania (ADISA) or in person at the National Business Center (NBC). A taxable person may personally or through an authorized person submit the registration form and requested documents with the NBC. The registration

procedure generally lasts two to three working days. The required documents for registration are as follows:

- Copies of the identity card of the administrator or the authorized person
- Authorization for the person submitting the application for registration if different from the administrator of the company
- Copies of identity cards of the shareholders of the company
- Founding act and statute if drafted in two different documents
- Commercial extract of the foreign company registering a branch/subsidiary in Albania
- Good standing certificate of the foreign company registering a branch/subsidiary in Albania

The application for VAT registration of the taxable person must be performed within 30 days after the foundation date and before the effective start of the business activity.

**Deregistration.** Every taxable person registered for VAT may request to be deregistered if turnover fell below the VAT registration threshold during the previous 12 months. Such deregistration becomes effective 12 months after the request. Taxable persons ceasing their economic activity must request deregistration within 15 days from the termination of their activity.

**Changes to VAT registration details.** In case the taxable person notices that its turnover falls below the VAT registration threshold or vice versa, they must inform the tax authorities and request the change within 15 days.

The taxable person must also inform the tax authorities within 15 days for the following changes to its VAT registration details: name change, operating activity address or contact changes, legal status change, opening/closing of branches or sectors and change in the economic activity type.

#### **D. Rates**

The term “taxable supplies” refers to supplies of goods and services that are liable to a rate of VAT, including the zero rate.

The VAT rates are:

- Standard rate: 20%
- Reduced rate: 6%
- Zero-rate: 0%

The standard rate of VAT applies to all supplies of goods and services unless a specific measure provides for a reduced rate, the zero rate or an exemption.

Certain supplies are referred to as “exempt-with-credit” (i.e., zero-rated), which means that no VAT is chargeable, but the supplier may recover the input tax (effectively zero-rated).

##### **Examples of goods and services taxable at 0%**

- Exports of goods
- International transport
- Services relating to maritime activities
- Supplies under diplomatic arrangements
- Supply of gold to the Central Bank of Albania
- Intermediary services related to zero-rated supplies or services rendered abroad

##### **Examples of goods and services taxable at 6%**

- Supplies of accommodation services by the accommodation facilities
- Supplies made within five-star accommodation structures of an internationally known trademark
- Supplies of accommodation and restaurant services, excluding beverages, by the certified structures operating in agritourism

- Supplies of advertising services by audiovisual media
- Supply of licensed public transport equipped with electric motors, with nine plus one places or more
- Supply of books of any type
- Supply of construction work services for public investments in sports clubs/sports federations or for investments in sports infrastructure undertaken by private entities

The term “exempt supplies” refers to supplies of goods and services that are not liable to VAT and that do not qualify for input tax deduction.

#### **Examples of exempt supplies of goods and services**

- Hospital services and medical care
- Insurance and reinsurance services
- Supply and rent of land and buildings
- Financial services
- Postal services
- Education services
- Hydrocarbon exploration operations
- Printing and sale of publications
- Betting, lotteries and gambling
- Importation of machinery and equipment used for inward processing of goods or in the implementation of contracts of ALL50 million or more
- Importation of production machinery for small business
- Import of raw materials used for the manufacture of medicines, with the exception of dual-use substances, carried out by holders of production authorization
- Agricultural machinery
- Agricultural inputs, such as fertilizers, pesticides, seeds and seedlings
- Veterinary services, except veterinary services for domestic animals
- New vehicles with electric motor, zero km, that have not been previously registered for circulation in any other country
- Supply related to the construction/reconstruction process in the case of natural disasters upon receipt of the authorization by the General Tax Director
- Supply of services and goods directly to the constructor engaged with the building process in the case of natural disasters, when authorized by the General Tax Director

**Option to tax for exempt supplies.** The Minister of Finance may grant through a decree the right to opt for taxation for the following VAT exempt supplies:

- Financial transactions
- The supply of building and of the land on which the building stands
- The supply of land
- Leasing of immovable property

#### **E. Time of supply**

VAT becomes due at the “time of supply” unless otherwise provided in law. The time of supply is considered to occur when an invoice is required to be issued or when goods or services are delivered. The invoice should be issued at the moment that the supply of goods or services takes place. If the payment is made before the delivery of goods or services, the moment of supply is the moment when the payment is made.

The time of supply for a continuous supply of goods and services, including construction services, is considered to be the month when the invoice is issued. Invoices should be issued on a monthly basis.

**Deposits and prepayments.** Where a payment is to be made on account before the goods or services are supplied, VAT shall become chargeable on receipt of the payment and on the amount received.

In case of any amount paid or retained in the form of a guarantee deposit in relation to the performance of a supply of goods or service, VAT shall become chargeable at the moment the deposit is received. In case the amount of deposit is returned to the customer, then the necessary adjustment should be made for VAT purposes.

Exemption from the above is granted to the guarantees deposited in a bank deposit account or to a third party, without the right of use. In such case, VAT shall become chargeable at the moment that the deposit guarantee is executed.

**Continuous supplies of services.** Supplies of services performed on a continuous basis, within a period of time (as prescribed in the supply agreement between the customer and supplier, for example invoices to be issued on a monthly basis), including construction operations, shall be deemed to have been made in the same month in which the invoice is issued.

Where payment is made in advance of the invoice being issued, there are no special time of supply rules in Albania for this scenario. As such, the general time of supply rule applies (as outlined above), which is when the payment is made.

**Goods sent on approval for sale or return.** There are no special time of supply rules in Albania for supplies of goods sent on approval for sale or return. As such, the general time of supply rules apply (as outlined above).

**Reverse-charge services.** Invoices for reverse-charge services are required to be issued by the 10th day of the month following the month in which VAT becomes due.

**Leased assets.** In the case of leased assets, the VAT becomes due at the time when the periodic monthly payments are invoiced to the lessee. In the case of a financial lease, whereby the option to buy the leased assets is exercised, VAT becomes due on the sale of assets, at the moment the final invoice is issued to the customer.

**Imported goods.** The time of supply for imported goods is the date of importation or the date on which the goods exit a duty suspension regime.

## **F. Recovery of VAT by taxable persons**

A taxable person may recover input tax, which is the VAT that the taxable person paid on the purchase of goods and services that were used to provide taxable goods and services in Albania. A taxable person may also recover VAT related to the overseas supply of services (outside the scope of Albanian VAT) that would have been taxable if made in Albania. A taxable person generally recovers input tax by deducting it from output tax, which is the VAT charged on supplies made.

Input tax includes VAT charged on goods and services supplied in Albania, VAT paid on imports of goods and VAT applied to reverse-charge services.

The time limit for a taxable person to reclaim input tax in Albania is five years. The taxable person's right to claim a VAT refund or offset the VAT credit with output tax expires five years from the filing date of the respective VAT return or its amendment.

**Nondeductible input tax.** Not all input tax is deductible. Generally, input tax may not be recovered on purchases of goods or services that are not used for business purposes.

**Examples of items for which input tax is not deductible**

- Expenditure on fuel unless the payer is a company that purchases the fuel for trading purposes
- Expenditure on trips and per diems and hotel accommodation
- Expenditure on cars, unless the business activity consists of the trading or renting of cars such as car rentals, taxi services and ambulances

**Examples of items for which input tax is deductible  
(if related to a taxable business use)**

- Expenditure relating to publicity and promotional articles
- Expenditure relating to representative expenses up to the amount of expenses that are recognized as deductible for corporate income tax purposes
- Expenditure on fuel used solely for carrying on taxable economic activity up to the limit defined by a decree issued by the Minister of Finance

**Partial exemption.** If a supply of a good or service is used partly for purposes of taxable supplies and partly for exempt supplies, the taxable person may not deduct input tax in full. This situation is known as “partial exemption.” The calculation of the amount of input tax that may be recovered is made on a pro rata basis by using the following formula:

$$\text{Amount of relevant input tax} \times \frac{\text{VAT creditable turnover}}{\text{Total annual turnover}}$$

During the tax year, the pro rata VAT due may be calculated based on the preceding year’s results. The calculation must be adjusted by 31 January of the following year to reflect the actual results of the tax year. If the change in deductible input tax is less than ALL20,000 from the change of the initial and actual pro rata VAT, there is no need for a VAT adjustment. The taxable person should inform the tax authorities for the initial pro rata VAT that will use during the year, by no later than 31 January.

The calculation does not include supplies of capital goods used by the taxable person for business purposes, nor does it include incidental real estate and financial transactions.

Approval from the tax authorities is not required to use the partial exemption standard method in Albania. Special methods are not allowed in Albania.

**Capital goods.** Capital goods are items of capital expenditure that are used in a business over several years. Input tax is generally deducted in the VAT year in which the goods are acquired. If the business comprises both taxable and exempt supplies and the capital goods do not only serve taxable supplies, the amount of input tax that can be recovered depends on the taxable person’s partial exemption recovery position in the VAT year of acquisition. The amount of input tax recovered is adjusted over time if during the adjustment period the taxable person’s pro rata calculation changes or the capital good is transferred to an exempt activity with no right to deduction.

The capital goods adjustment period is as follows:

- Immovable capital assets: 10 years
- Movable capital assets: 5 years

In case of pro rata changes during the adjustment period, the adjustment is made for 1/5 for movable capital goods and 1/10 for immovable capital goods, while for transfer of capital goods to an exempt activity the adjustment is made for the remaining years of the adjustment period.

**Refunds.** A taxable person may claim a VAT refund if both of the following conditions are satisfied:

- The taxable person carried forward the relevant amount as a VAT credit balance in the following three consecutive months.
- The amount claimed exceeds ALL400,000.

The taxable person must file a “Request for Refund” form, as prescribed in the VAT law, with the relevant tax office. The tax office must verify the fulfillment of the refund conditions and approve the refund within 60 days.

**Pre-registration costs.** Input tax incurred on pre-registration costs in Albania is not recoverable.

**Bad debts.** Taxable persons who have not received partial or total payment for a taxable supply may claim the VAT charged as input tax if all the following conditions are satisfied:

- The debt has remained outstanding for more than six months
- The amount has been written off
- A court has recognized the debt as uncollectible because the debtor is insolvent

**Noneconomic activities.** To the extent that they do not distort competition, payments received by not-for-profit organizations, such as grants, donations and membership dues, are considered to be noneconomic activities for which no VAT is due. The same applies to the performance of public services by the public authorities.

### G. Recovery of VAT by non-established businesses

Input tax incurred by non-established businesses that are not registered for VAT in Albania is not recoverable.

### H. Invoicing

**VAT invoices.** A taxable person must provide a VAT invoice for all taxable supplies made, including exports. The invoice must comply with the requirements set out in the VAT law and issued in accordance with the provision of the Law No. 87/2019, “On the invoice and the turnover monitoring system” and its bylaws.

**Credit notes.** A VAT credit note may be used to reduce the VAT charged on a supply of goods or services; a debit note may be used to increase the amount of VAT. Tax credit and debit notes must be cross-referenced to the original VAT invoice.

**Electronic invoicing.** Electronic invoicing is mandatory for all taxable persons in Albania. The authenticity of the origin and the integrity of the electronic invoice’s content must be guaranteed by registration of the taxable person at the tax authorities’ central online platform.

**Simplified VAT invoices.** The taxable persons subject to the regime of small businesses (i.e., annual turnover less than ALL10 million) may issue simplified invoices without VAT, but only of goods or services paid in cash. Simplified invoices should also follow the rules on electronic invoicing.

Note that according to the new law on fiscalization, there are no simplified VAT invoices but only simplified invoices, which are issued from taxable persons who are not registered for VAT purposes and the transaction is conducted in cash. If the taxable person is voluntarily registered for VAT purposes, even if it does not reach the VAT registration threshold, the standard e-invoice shall be used.

**Self-billing.** Self-billing is allowed in Albania. Self-billing is only allowed under the following conditions:

- Both the supplier and the customer should be taxable persons registered for VAT.
- The supply should be taxable, not exempt.
- A written agreement should be in place between the supplier and the buyer, in which is provided for a procedure for the acceptance by the supplier of the invoices issued by the buyer.
- Any invoice issued by the buyer in the name and on behalf of the supplier must be approved by the latter.
- The buyer should notify the tax authority in advance.



- The buyer should undertake the obligation to declare and pay VAT in the name and on behalf of the supplier.
- The invoice issued by the buyer should identify the data (name, VAT ID, address, etc.) of the supplier and should indicate “Self-Billing.”

**Proof of exports.** No VAT is chargeable on exported goods if exporters have documented their supplies with an official customs declaration.

**Foreign currency invoices.** An Albanian VAT invoice must be issued in the domestic currency, which is the Albanian lek (ALL). If an invoice is received in a foreign currency, the amounts must be converted into lek. The exchange rate used for imports is determined by Customs, while the exchange rate for domestic VAT supplies is the rate published by the Central Bank of Albania for the date of the invoice.

**Supplies to nontaxable persons.** For supplies made by a taxable person to a nontaxable person (private consumer) the supplier must issue a fiscal invoice regardless of the invoice amount.

**Records.** A taxable person is required to keep records, including records of all supplies made by them, all supplies made to them, and all imports and exports of goods carried out by them as part of their economic activity, in compliance with the law “On accounting and financial statements.”

In Albania, examples of what records must be held for VAT purposes include records of all invoices and any supporting documents issued by/to the taxable person, in respect of supplies made or received.

In Albania, VAT books and records can be kept outside the country. There is no provision in the Albanian VAT law on where records should be held. However, in practice, records may be held in or outside of Albania. If the records are held outside of Albania, they must be easily accessible upon request by the tax authorities.

*Record retention period.* The period during which the taxable person must ensure that the invoices and supporting documents are retained, is five calendar years, starting from the next year following the invoice/document issuance. They shall be retained in the original form in which they were sent or made available, whether in paper or electronic form. In addition, in case of invoices stored by electronic means, the data that guarantee the authenticity of the origin of the invoices and the integrity of their contents, must also be stored by electronic means.

*Electronic archiving.* Electronic archiving is allowed in Albania. The taxable person has the right to designate the place of storage of the invoices or of the information retained, provided that they make them available to the competent authorities immediately upon request. If records are kept on a computer or as electronic data, the taxable person should provide tax authorities access to the place where records are held and access to computers or other devices to inspect the records that are held as electronic data.

## I. Returns and payments

**Periodic returns.** The tax period is a calendar month. Purchase and sales ledgers must be submitted monthly by the 10th day of the following month. Following the recent fiscalization reform the VAT return is automatically generated by the tax authorities based on the information provided in the sale and purchase ledgers. However, taxable persons have the right to review and amend the VAT return accordingly. The deadline for VAT payment is the 14th day of the month following the tax period. For imports, VAT is payable upon importation.

For a taxable person that is newly registered, the first tax period begins on the date of the registration, as stated in the certificate of registration, and ends on the last day of that month.

VAT payable by a taxable person for a tax period equals the VAT on the total taxable value of supplies made during the tax period minus any input tax allowed as a deduction.

**Periodic payments.** VAT payable by a taxable person for a tax period equals the VAT on the total taxable value of supplies made during the tax period minus any input tax allowed as a deduction. The VAT must be paid by bank transfer from an Albanian bank.

**Electronic filing.** Electronic filing is mandatory in Albania for all taxable persons. Taxable persons must electronically submit the purchase and sales ledgers and VAT returns. The electronic submission must be made online through the tax authorities' system at [https://efiling.tatime.gov.al/cats\\_public/Account/LogOn](https://efiling.tatime.gov.al/cats_public/Account/LogOn).

**Payments on account.** Payments on account are not required in Albania.

**Special schemes. Travel agencies.** This scheme applies to transactions where the travel agency deals with customers in its own name and uses the supplies of other taxable persons in the provision of travel services. In this case, the taxable amount for services supplied to customers is the travel agency's margin, i.e., the difference between the total amount charged to the customer and the actual purchase price the travel agency paid for the services. The input tax incurred by travel agents may not be deducted.

The special scheme does not apply to travel agencies that only act as intermediary, in which case the supplies and services of other taxable persons can be treated as disbursements.

**Secondhand goods, works of art, collector's items and antiques.** Taxable persons must electronically submit the purchase and sales ledgers and VAT returns.

**Compensation scheme for farmers.** The taxable person (purchaser) of the agricultural services and goods is required to issue an invoice for purchases from farmers benefiting from this scheme for the taxable amount exclusive of VAT and then add VAT at the rate of 6%. The buyer pays the farmer the total price including the VAT calculated. The additional 6% is considered to be a compensation for the farmer for the input tax that has been incurred. The taxable person (purchaser) must account for the VAT on the invoice but is entitled to recover the VAT subject to normal recovery rules.

**Investment gold.** A special VAT scheme applies to investment gold. The taxable value of processed gold, imported gold and processed gold supplied domestically, does not include the value of gold used as raw material. At the same time, the taxable value of an import or supply within the country includes material components such as: silver, precious stones, plastics, labor, processing wastage, etc.

- Taxable value of imported processed gold:
  - The taxable value of imported processed gold, shall be determined in accordance with customs and tax legislation. The supporting document is the foreign supplier's invoice issued to the domestic buyer, indicating the value of gold converted into pure gold, out of the total value of imported gold. In absence of such a breakdown, the importer cannot exclude from the taxable value of the import the value of gold used as raw material.
- Taxable value of processed gold supplied domestically:
  - The value of a supply within the country is the full payment for that supply. The taxable value of processed gold supplied domestically is calculated by deducting from the full supply charge the value of gold used as raw material. The supporting document is the invoice of the supplier indicating separately the value of the gold used as the raw material. In absence of such a breakdown, the supplier cannot exclude from the taxable basis the value of gold used as raw material. Irrespective of the supply nature, wholesale or retail, and irrespective of the supply value, the taxable person shall issue a tax invoice as provided in VAT law.

**Annual returns.** Annual returns are not required in Albania.

**Supplementary filings.** No supplementary filings are required in Albania. In the case of underpaid VAT for a certain tax period and if no tax audit has been undertaken by the tax authorities, the taxable person can voluntarily amend the VAT return to adjust the situation. No penalties for late payment of VAT will be applicable.

**Correcting errors in previous returns.** A taxable person can submit a new amended tax return in cases when it notices that the original submitted tax return is not correct. The amended tax return must be submitted within 36 months from the moment of original tax return submission with the condition that this return has not been the subject of assessment from the tax authorities. An exceptional case is that the taxable person has the right to amend the tax return, even though it has been audited, if the amendment will result with higher tax liability. The tax return can be submitted online through the e-account of the taxable person.

**Digital tax administration.** The fiscalization reform aims to provide the tax authorities with a better control system and more efficient tax inspection. The fiscalization system is a set of measures used to reduce tax evasion in cash and noncash transactions. In the process of fiscalization, all transactions (invoices) are reported in real time to the tax authorities. For the purpose of identifying and tracking each transaction, each invoice is given a unique invoice number. The fiscalization process is regulated by Law No. 87/2019 “On fiscalization and turnover monitoring system” (“law on fiscalization”) and Instruction No.16, dated 3 April 2020.

The law on fiscalization entered into force as of 1 January 2021 for cashless transactions between taxable persons and public institutions; 1 July 2021 for cashless transactions between taxable persons; and 1 September 2021 for cash transactions by taxable persons regardless of tax liability or annual turnover realized.

The law on fiscalization covers all taxable persons who issue invoices as per the law on VAT, public institutions, banks, financial institutions other than banks and other entities that offer services of electronic invoices payment. Every taxable person is subject to the law on fiscalization, except agricultural producers who are registered in the compensation scheme according to the law on VAT; taxable persons providing public transport and taxable persons who make supply goods/services that qualify for VAT exemption under the law on VAT.

The taxable persons who are already registered as such with the tax authorities become automatically subject of the law on fiscalization. The new taxable persons who register in the National Business Center are to be registered automatically as taxable persons subject to the law on fiscalization.

The taxable persons subject to the law on fiscalization must submit through the central platform of invoices managed by National Agency for Information Society (NAIS) the details related to the place and type of business, the operator who will be responsible for the invoice issuance through the fiscal system and the producer/maintainer of the software used. The latter should be independently registered with NAIS and certified as a software producer/maintainer.

As per the new law on fiscalization, there will be no need of manual filing of the purchase and sales ledgers, as they will be automatically generated from the system of the tax authorities. The taxable person, however, must review the purchase and sales ledger by the 10th day of the following month and adjust it with information as appropriate.

According to the new law on fiscalization, the invoice must contain details such as “Fiscal Invoice” title, date and time of the invoice issuance, invoice number, the unique identification number, name and address for both, the seller and buyer. The invoice details must also include the code of the place where the supply of goods/services took place and the code of the operator who generates the invoice from the system, the quantity and description of the goods/services

supplied, the total value including any discounts and the total amount due, the payment manner, the unique invoice number and the security number of the invoice issuer and the QR code.

## J. Penalties

**Penalties for late registration.** Noncompliance with the requirement to register or to update registration data triggers a penalty that can range from ALL10,000 to ALL15,000.

**Penalties for late payment and filings.** Each late tax filing is subject to a penalty that can range from ALL5,000 to ALL10,000. Late payment of a tax obligation triggers a penalty amounting to 0.06% of the tax due for each day of delay, up to a maximum of 365 days (i.e., capped at 21.9%). In addition, default interest applies.

**Penalties for errors.** Erroneous completion of a tax filing or a tax refund claim is subject to a penalty of 0.06% of the tax due for each day of delay, up to a maximum of 365 days. In addition, default interest applies.

The late notification of or failure to notify the tax authorities of changes to a taxable person's VAT registration details is considered an administrative offense and can be subject to a penalty of ALL15,000. For further details, see the subsection *Changes to VAT registration details* above.

**Penalties for fraud.** Concealment of tax obligations constitutes a fiscal evasion and is subject to a penalty of 100% of the tax amount evaded.

Improper administration of sales and purchases books and documentation is subject to a penalty that can range from ALL10,000 to ALL50,000.

The failure to issue a VAT fiscal invoice for the whole amount of the transaction is subject to a penalty of 100% of the undeclared and unpaid tax liability.

Criminal offenses carried out by taxable persons are penalized under the criminal code. These offenses relate to certain situations including, but not limited to, the following:

- Taxable persons willfully engaging in fiscal evasion
- Taxable person not paying taxes to the state budget
- Taxable persons destroying and concealing important tax documents and information

**Personal liability for company officers.** Company officers cannot be held personally liable for errors and omissions in VAT declarations and reporting in Albania.

**Statute of limitations.** The statute of limitations in Albania is five years. According to the Albanian tax legislation, the statute of limitation is five years from the filing of a tax return or its amendment. The statute of limitation is suspended if a new tax assessment is issued either as a result of a tax appeal or a tax audit or investigation. Moreover, the statute of limitation is suspended or voided if the taxable person is or becomes subject to penal proceedings in relation to its tax affairs.