

# VAT Alert

Albania

## Services Supplied Outside Albania Become VAT Exempt

A new VAT Law has been promulgated, which is expected to come into effect by March 1st, 2010. Such law introduces changes to the treatment of international services, i.e. services supplied by Albanian VAT registered persons to persons outside Albania. So far such services have been treated as zero rated. With the new law, they become VAT exempt. As a consequence, any input VAT suffered in relation to rendering such services becomes non recoverable. Furthermore, if VAT liable persons are engaged in both vatable activities and international services, they will have to use the pro-rata for the input VAT on purchases concerning both activities and deduct only the part thereof corresponding to their taxable turnover and zero rated supplies.

### Other Developments

#### 1. Electronic submission of tax returns and VAT ledgers

Starting from January 1st for Large Taxpayers, March 1st 2010 for all other VAT liable persons, and July 1st 2010 for small businesses (with annual taxable turnover between ALL 5 - 8 million), all tax returns are accepted only via electronic submission, including VAT declarations, personal income tax and social security and health insurance contributions, and corporate income tax declarations. In addition, the VAT liable persons should also submit electronically their monthly purchase and sale ledgers by the 5th of the following month.

#### 2. Clarification of the requirements for the treatment of the leasing of buildings as vatable supplies

According to the changes of the VAT instructions, which entered into force end of January, new requirements are added in the request procedure for considering the lease of buildings as a vatable supply, instead of an exempt supply, when such lease is made to VAT exempted persons (e.g. financial institutions). The changes stipulate that the lessor of a building can charge VAT if both parties, agree for such treatment in the lease agreement. Furthermore, the applicant should attach the contract to the request for the consideration of rent as a VAT supply according to Article 16. If such procedure is not followed, the leasing will by default be considered as a VAT exempt supply.



### **3. Deregistration is possible only if the taxable activity is discontinued**

According to the new amendments to the VAT law, deregistration for VAT purposes is allowed only if the taxable person has ceased to make taxable supplies, i.e. the activity is terminated or will be limited to exempt supplies. Hence, unlike previously, taxpayer who was once registered as a VAT taxpayer, cannot request deregistration for VAT purposes when the annual turnover decreases below the VAT requirement threshold.

### **4. Further clarifications in the list of exempt financial services**

Further clarification is provided with respect to the financial services that are considered as VAT exempt. The following services are added to the list of the Ministry of Finance Instructions as VAT exempt financial services:

- ▶ Services related to the issuance and maintenance of the debit and credit cards systems such as “Maestro Card”, “Master Card”, “Visa Card”, “American Express”
- ▶ Services related to the utilization of the SWIFT system,
- ▶ Services related to the utilization of “Internet Banking” system
- ▶ Services related to the purchase and maintenance of the banking licenses to support the financial services offered
- ▶ Services related to the purchase and maintenance of any other specialized software for the good standing and maintenance of the above mentioned services and for the offering of banking or other financial services.

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