

Foreign Tax Credit on Corporate Income Tax (CIT)

General info

Economy name

Albania

ID

A2

Incentive name

Foreign Tax Credit on Corporate Income Tax (CIT)

Brief description

Albania applies foreign tax credits rights even in case there is no double tax treaty in place with the economy where the tax is paid. If a double taxation treaty is in force, double taxation is avoided either through an exemption or by granting tax credit up to the amount of the applicable corporate income tax rate of Albania (currently 15%).

Legal reference

Legal reference name

Law No. 29/2023 "Income Tax" ("the new law") dated 30 March 2023 was published in Albania's Official Gazette 02/2023

Legal reference (Law section / article)

Article 42

1. If during a tax year, the resident entity realizes tax income from foreign source territory of Albania, the tax to be paid by that entity for this income must deduct the amount of tax paid in a foreign economy for this income. Foreign tax amount paid is confirmed by the specific documentation issued for this purpose by the foreign economy where incomes have been realized and according to the deadlines and procedures defined in the instruction by the minister responsible for finance.
2. Crediting of foreign tax paid described in point 1 of this article cannot be carried over the tax payable on taxable profit for foreign source corporate income if this income would have been realized in Albania.
3. The tax credit, as defined in this article, is calculated separately for each foreign economy, which is a source of income or profits, if the income is realized from foreign sources in more than one economy.

Incentive design

Incentive group

Financial

Incentive category

Corporate Income tax (CIT)

Economy-wide/Sector-specific

Economy-wide

Sector (Simplified)

All sectors

Sector (NACE)

N/A

Size of firm that can use incentive

All sizes of firms

Level at which incentive is available

Economy-wide

Ownership of firm that can use incentive

Any

Incentive location

General

Main objective of the incentive

Market expansion

In case of grant, share of grant in investment (in %)

Access to information

Contact Info

Street "Gjin Bue Shpata", Tirana 1000

Weblink to Incentive information in English

<https://www.tatime.gov.al/eng/c/4/entrepreneurs>

Weblink to Incentive information in local language

<https://www.tatime.gov.al/c/6/70/tatimi-mbi-te-ardhurat>

Eligibility criteria

Eligibility criteria (description)

If a resident entity in Albania earns taxable income from sources outside the economy during a tax year, the entity can deduct the amount of tax paid in a foreign economy on this income from its tax liability in Albania.

To claim the foreign tax credit, the entity must provide specific documentation issued by the foreign economy where the income was earned, confirming the amount of foreign tax paid. These documents must adhere to the deadlines and procedures established by the Ministry responsible for finance of Albania.

The amount of foreign tax that can be deducted from the tax liability in Albania cannot exceed the tax payable in Albania on the same income if it were earned within the economy's territory.

If the entity earns income from foreign sources in more than one economy, the foreign tax credit must be calculated separately for each economy

Eligibility criteria (weblink)

<https://www.tatime.gov.al/eng/c/4/entrepreneurs>

Incentive administration

Awarding Authority (Name)

Ministry of Finance, Ministry of Economy and General Directorate of Taxes

Application procedure + Weblink (where available)

The procedure is defined by the Ministry of Finance: <https://www.tatime.gov.al/eng/c/4/entrepreneurs>

Implementing Authority (Name)

Ministry of Finance, Ministry of Economy and General Directorate of Taxes