

Value Added Tax (VAT) Deductions

General info

Economy name

Albania

ID

A33

Incentive name

Value Added Tax (VAT) Deductions

Brief description

In addition to the previous VAT incentives, the Law on VAT in Albania (92/2014) allows deductions in specific situations that are accessible to investors when the deduction becomes claimable

Legal reference

Legal reference name

Law No. 92/2014 dated 24.07.2014 "On VAT in Albania"

Legal reference (Law section / article)

Article 69-73 Article 69

1. The taxable person has the right to deduct from the VAT calculated for taxable transactions the following amounts of VAT, to the extent that supplies of goods and services received are used by the taxable person in function of these transactions taxable:

- a) VAT paid or to be paid in Albania for the supplies of goods and services that have been supplied or will be supplied to him by another taxable person;
- b) VAT to be paid for actions similar to sales of goods and the performance of services, in accordance with the letters "c" and "ç", of point 2, of article 9, and letter "c", point 2, article 12, of this law.
- c) VAT paid for goods imported into Albania.

2. For the immovable property, which is part of the business property of the person taxable and used at the same time both for the purposes of his economic activity and for other purposes other than those of economic activity, VAT on supplies received, directly related to this asset is deductible in proportion to the use thereof property for the purposes of the economic activity of the taxable person.

3. VAT of received supplies of other goods, other than those in point 2, of this article, and which are part of the business property, is deductible in proportion to the use of this property for the purposes of the economic activity of the taxable person.

Article 70 Other deductions

The taxable person also has the right to deduct the VAT amounts provided for in Article 69, of this law, to the extent that those goods and services are used for following transaction needs:

- a) supplies made within the economic activity of the taxable person outside the territory of Albania, which if they were to be carried out within the economy would to grant the right of VAT deduction to the taxable person.
- b) supplies of the taxable person, according to point 37, of article 56, and supplies of zero rate of VAT according to articles 57, 58, 59, 60, 61, 62, and 64, 65 and 67, of this law.

c) supplies of the taxable person, exempted from VAT, in accordance with Article 53, letters from "a" to "dh", when the taxable person to whom the services are intended is located outside Albania or when such transactions are directly related to related to goods destined to be exported outside Albania.

SECTION 2 PARTIAL VAT DEDUCTION

Article 71 General rule

If supplies of goods and services are used by a taxable person, as per carrying out taxable transactions that bring the right to VAT deduction, on the basis of articles 69 and 70 of this law, even for transactions that do not bring this right, then only the part of VAT related to the first category of transactions is deductible. The part of the deductible VAT is determined on the basis of articles 72 and 73 for the entirety of transactions carried out by the taxable person.

Law no. 92/2014, dated 24.07.2014, "On VAT"

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Article 72 Calculation of the VAT deduction coefficient

1. The VAT deduction coefficient is calculated from the following ratio:

a) in the counter, the total amount of the volume of the annual turnover, excluding VAT, related to transactions that bring the right of deduction, according to articles 69 and 70, of this law.

b) in the denominator, the total amount of the volume of the annual turnover, excluding VAT, related to the transactions included in the counter and the transactions that do not bring the right of deduction.

2. In contrast to point 1 of this article, for the calculation of the VAT deduction coefficient, the following amounts are not taken into account:

a) the turnover value realized from the supplies of capital goods, used by the taxable person for his business needs;

b) turnover value, realized from financial and property transactions real estate if these transactions are incidental;

c) turnover value, realized from transactions defined by letter "b" to in "e", of Article 53, of this law, if these transactions are random.

Article 73 Rules for the application of the VAT deduction coefficient

1. The VAT deduction coefficient is determined on an annual basis, it is determined in percentage and rounded up to the highest unit.

2. The VAT deduction coefficient, provisionally applicable for one year, is initial discount coefficient and this coefficient is calculated on the basis of the transactions of the year previously under the terms of Article 71 of this law.

Incentive design

Incentive group

Financial

Incentive category

Value Added Tax (VAT)

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

Increase competitiveness

In case of grant, share of grant in investment (in %)**Access to information**

Contact Info

Street "Dëshmorët e Kombit" Nr.3, Tirana 1001

Weblink to Incentive information in English**Weblink to Incentive information in local language**

[https://www2.deloitte.com/content/dam/Deloitte/al/Documents/tax/Ligji_nr.92-2014_date_24.07.2014_Per_TVSH-ne_\(i_indeksuar_nga_Deloitte\).pdf](https://www2.deloitte.com/content/dam/Deloitte/al/Documents/tax/Ligji_nr.92-2014_date_24.07.2014_Per_TVSH-ne_(i_indeksuar_nga_Deloitte).pdf)

Eligibility criteria

Eligibility criteria (description)

In order to be able to exercise the right to deduct VAT, the taxable person must meet the following criteria:

a) for deduction, according to the definition of letter "a", point 1, article 69, of this law, related to the sale of goods and the performance of services, to have an invoice drawn up in compliance with articles 96 to 105 of this law;

b) for deduction, according to the definition of letter "b", point 1, article 69, of this law, related to actions similar to the sale of goods and the performance of services, must the formalities determined by instructions from the Minister of Finance are fulfilled;

c) for VAT deduction, according to the definition of letter "c", point 1, article 69, of this law, regarding the importation of goods, the taxable person must possess a document that proves the import, issued at the time of release for free circulation of goods in the territory of Albania, as defined in the Customs Code of

Albania, in which he is qualified as the recipient or importer of the goods and where the amount should be written

VAT paid and the method of its calculation;

ç) when the buyer is obliged to pay VAT, according to the definition of point 2, of article 86, of Law no. 92/2014, dated 24.07.2014, "On VAT"

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of this law, the relevant formalities must be fulfilled, determined by instructions from the Minister of Finances.

Eligibility criteria (weblink)

[https://www2.deloitte.com/content/dam/Deloitte/al/Documents/tax/Ligji_nr.92-2014_date_24.07.2014_Per_TVSH-ne_\(i_indeksuar_nga_Deloitte\).pdf](https://www2.deloitte.com/content/dam/Deloitte/al/Documents/tax/Ligji_nr.92-2014_date_24.07.2014_Per_TVSH-ne_(i_indeksuar_nga_Deloitte).pdf)

Incentive administration

Awarding Authority (Name)

Ministry of Finance, General Directorate of Taxes and Council of Ministers

Application procedure + Weblink (where available)

The taxable person/legal entity must submit an application for VAT deduction to the relevant body with all additional documentation including invoices. If the taxable person does not deduct VAT in the tax period which the right of deduction arises, he can deduct this amount of deductible VAT after tax period, but not later than 12 tax periods including the period in question.

Implementing Authority (Name)

Ministry of Finance, General Directorate of Taxes and Council of Ministers