

Partial Value Added Tax (VAT) Deduction

General info

Economy name

Albania

ID

A36

Incentive name

Partial Value Added Tax (VAT) Deduction

Brief description

Partial VAT deduction allows a taxable person/legal entities to deduct only the portion of VAT related to transactions that entitle VAT deduction, calculated using a coefficient based on the ratio of turnover from deductible transactions to total turnover, excluding specific incidental or capital transactions.

Legal reference

Legal reference name

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

Legal reference (Law section / article)

Article 71-73 Article 71

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. In the absence of these transactions or when their amount is negligible, the initial VAT deduction coefficient is estimated provisionally by the taxable person himself, based on his forecasts and under supervision of tax administration.

3. The VAT deduction, carried out on the basis of the initial deduction coefficient, must be adjusted in the first tax period of the following year, according to the final coefficient of VAT deduction.

4. For the purposes of this article, the taxable person must notify the tax administration for the initial VAT deduction coefficient that will be applied during the year and for the method of its calculation, no later than:

a) January 31, in the case when it is not the first year of application of the discount coefficient of VAT.

In this case, the initial VAT deduction coefficient is the final coefficient of VAT deduction for the previous year;

b) the deadline for declaring the first tax period, in which the obligation to apply arises the initial VAT deduction coefficient.

5. The Minister of Finance determines with instructions the rules and modalities of application of this article

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/legal entities 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 the instructions of 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 forced to pay VAT, according to the definition of point 2, article 86, of this law, the relevant formalities must be fulfilled, defined 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 official requests must be submitted to the General Directorate of Taxes with all additional documents.

Implementing Authority (Name)

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