

register the invoices of sales and purchases respectively during a tax period upon the total of which VAT shall be calculated as well.

• THE BOOK OF PURCHASES.

- The book of purchases shall be kept by all persons registered for VAT. It shows the identification number (NUI), the name of the taxable person, the month (tax period) declared.
- It registers every purchase transaction with tax invoice within the country or import. More specifically, the data of the invoice demonstrating the transaction, the date of invoice issuance, the ordinal number of the invoice, the serial number of the invoice, the data of the import declaration, the name of the seller and his identification number (NUI).
- The purchases shall be registered at the total value, which includes VAT as well (if any), and separated in purchases including VAT and in purchases with non-deductible VAT or excluding VAT.
- The purchases including VAT shall be registered separately in imports and domestic purchases. For any purchase including VAT, the person shall register the taxable value and the VAT corresponding to such purchase.

• THE BOOK OF SALES

- The books of sales shall be mandatorily kept by all the taxable persons. It shows the identification number and the name of the taxable person, as well as the month (tax period) for which the declaration is performed.
- It registers every sales transaction, the client and the data of the invoice demonstrating the transaction. The book of sales registers the date when the invoice has been issued, the ordinal number of the invoice, the serial number of the invoice and the number of the customs declaration when the goods are exported, the name of the client and his identification number (NUI).
- It registers the total value of the transaction including VAT (if any). Sales shall be registered divided into:
 - Taxable sales with 20% VAT;
 - Sales with zero % VAT, exports
 - Exempted sales (which the law classifies as exempted from VAT).
- For the sales carried out, justified with a tax invoice, the book of sales registers the total amount of collections, resulting from the total value registered at the end of the business day.
- For every taxable sale, the taxable amount and the VAT applied on it shall be registered.

• SUBMISSION OF THE BOOK OF PURCHASES AND SALES

- The books of purchases and sales shall be in place and

kept for a monthly tax period. They shall be submitted electronically every three months, by the 10th of the next month of the respective trimester (not later than 10 July, 10 October, 10 January, 10 April).



FOR FURTHER INFORMATION PLEASE VISIT www.tatime.gov.al, visit the taxpayers' service desks in every Regional Directorate of Taxes, or call the free line:

0800 0002

of the Call Centre at the General Directorate of Taxes.

ADDRESS: General Directorate of Taxes

Rruga "Gjin Bue Shpata", Tirana 1000, Albania

REPORT AT: **0800 14 14**



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The obligation to declare and pay VAT

VAT FOR SMALL BUSINESS TAXPAYERS.

• VAT DECLARATION

Every taxable person shall submit a VAT declaration which contains information on the taxable value (at sale), the value of VAT at sale, the value of VAT that can be deducted, the value of VAT to be paid as a difference of VAT at sale and deductible VAT. For the taxpayers registered under the Simplified Income Tax with an annual turnover from 2,000,000 to 5,000,000 ALL, the VAT declaration shall be per monthly tax period and shall be submitted every three months by the 14th of the next month of the respective trimester (not later than 14 July, 14 October, 14 January, 14 April).

VAT shall also be paid within such deadline.

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The value added tax is a general tax on the consumption of goods and services, that is imposed in every stage of the manufacturing and delivery of goods.

Who is a taxable person?

A taxable person shall be every person registered under VAT that independently conducts economic activities, despite the place and purpose or outcome of this activity.

REGISTRATION OF TAXABLE PERSONS.

The obligation to be registered for value added tax shall be:

- *For every taxable person, within 15 days upon beginning his economic activity.*
- *For every taxable person that supplies goods or provides services, whose annual turnover is above ALL 2 million in a calendar year;*
- *For every taxable person that conducts export of goods in circulation (goods traded or to be traded), despite the turnover carried out or expected turnover.*

THRESHOLD FOR VAT REGISTRATION

The minimum threshold for registration under the value added tax shall be a turnover of ALL 2,000,000 (two million) in a calendar year.

In order to determine the registration threshold for VAT it is important to determine the turnover carried out by the taxable person.

The turnover is calculated based on the total price paid by the buyer. The sales of assets (machineries, transport means, etc) of the taxable person, which are considered as his business assets, thus not kept for sales purposes, shall not be taken into consideration when calculating the total turnover;

Rule valid for persons registered in VAT, upon exceeding the registration threshold.

The taxable person that exceeds the minimum threshold for VAT registration and as such is subject to the normal VAT regime, shall be entitled in the very first month when becoming a registered taxable person to have his deductible VAT recognized for the inventory goods in stock on the date of registration under this regime, which are intended to be sold and that VAT shall be calculated on sale.

The terms and conditions to be fulfilled in order to exercise such entitlement shall be as follows:

- *The goods will serve to perform taxable supplies (not exempted) that are entitled to deduction.*
- *The taxable person must draft the list of goods in stock specified in quantity and value, which demonstrates the date of stock registration.*
- *Such inventory must be submitted at the regional directorate at the moment of registration under the normal VAT regime and must be identified in the ledgers and accounting books of the taxable person.*
- *Any goods included in the inventory must be justified by a purchase tax invoice with VAT, purchased not earlier than 12 tax periods (months) including the respective period.*
- *If the taxable person has resulted in excessive deductible VAT for 3 consecutive months, due to the deductible VAT for goods in stock, upon becoming a taxable person, then the later shall not be entitled to ask for refunding of such VAT.*

TAX RATE.

- *The standard rate of the value added tax for the supply of goods and services, which is applied as a percentage of the taxable value, shall be 20 percent.*

- *The reduced rate of the value added tax shall be applied for the supply of the accommodation service in the hotel structures and shall be 6 percent.*

The obligation to issue a tax coupon/VAT tax coupon.

• TAX COUPON.

The taxable persons that sell goods or provide services, in cash, shall issue tax coupons for every transaction, whereby, on the value of the sold goods or service delivered shall apply the following:

- ▶ *VAT at the standard rate of 20%, or,*
- ▶ *VAT at the reduced rate of 6% which is applied for the supply of the accommodation service at the accommodation structures, as per the categories defined in the legislation on tourism.*

Every taxpayer registered for VAT for the first time must communicate with the authorized company that has provided the fiscal equipment in order to make the change in the tax rate of VAT for purposes of issuing the tax coupon with VAT;

TAX INVOICE

The invoice shall be issued at the moment of supplying the goods or services. It shall be completed in three copies, where one is given to the buyer. Inter alia, the invoice shall contain information on the identity of the seller and buyer, their tax ID numbers (NUIIS), date of issuance, the unique serial number, the taxable value of the supply, the VAT applied on this value, the total value of the supply including VAT, etc.

Caution:

The issuance of the tax invoice shall be mandatory:

- *For transactions amounting above ALL 40,000;*
- *When the individual buyer asks for a tax invoice;*
- *For transactions among trade persons (business to business).*
- The VAT tax invoices shall be received at the Regional Directorates of Taxes at the jurisdiction of the taxable person.

WHEN TAXATION IS REQUIRED.

Taxation is required when the seller of goods or the service provider is obliged to issue the invoice.

- The VAT is required when the goods are supplied or when the services have been delivered, a moment when the seller shall be obliged to issue a tax invoice with VAT.
- If the seller receives a payment (cashes in an advance payment) before the goods are supplied or before the service is delivered, VAT shall be required at the moment of cashing in the amount paid, a moment when the seller shall be obliged to issue the tax invoice with VAT.

When the actual supply of goods is performed or when the service is completed, a VAT tax invoice shall be issued again, meanwhile the VAT belonging to the advance payment shall be adjusted (deducted) in the purchase book.

TAX DEDUCTION

- The persons registered for VAT shall be entitled to deduct from the calculated VAT the amounts of:
 - *VAT paid by him for the purchase of goods and services that have been supplied by another person registered in VAT;*
 - *VAT paid in the customs for goods imported by him in Albania.*
- In order to be entitled for VAT deduction, the person registered for VAT shall:
 - *Own a VAT tax invoice for the supply of goods and services that have been supplied to him domestically;*
 - *For VAT reduction regarding the imported goods he shall own a customs declaration evidencing the import.*

Caution.

If the taxable person does not perform the VAT deduction in the month when the deduction right arises, he can deduct this deductible VAT amount in one of the following months, but not later than 12 months, including the month when the invoice has been issued. Upon 12 periods, it is registered in the purchase books as a "purchase with non-deductible VAT".

- VAT deduction shall not be allowed for:
 - Expenses of fuel of any type, used for vehicles;
 - Expenses for purchase or repair of vehicles;
 - Expenses for travels and per diems, accommodation in hotels, recreational and entertaining activities;

THE BOOK OF PURCHASES AND SALES.

The taxpayers registered for Simplified Income Tax with an annual turnover from 2,000,000 – 5,000,000 ALL, shall be obliged to keep books of purchases and sales and to