

# What taxes are for an investor on land and property in Albania?

Taxes on land and property

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# What taxes are for an investor on land and property in Albania?

- *What is the economic situation in Albania?*
- *What is the situation with land and property in Albania?*
- *What is the general cost of purchase and ownership of property in Albania?*
- *How to purchase a property?*
- *Can I rent my property?*
- *Tax on land and property?*
- *When I sell can I repatriate my investment and any profit?*
- *How can I be considered as a tax resident in Albania?*

*Foreign investors find in Albania what they look for: an emerging economy with investor friendly policies that incentivize and encourage inward investment. The considerable tax advantages that exist make it a very attractive proposition. The low rate on corporation tax and personal income tax, as a flat tax (proportional tax rate) are just one of the illustrations of this policy.*

*Albania is a progressive and safe country with economic and political stability. All economic sectors are open to foreign investment, which not only enjoy legal security but also benefit from government policy that creates incentives and encourages continued investment. Most developed sectors for 2011 are the all kind of services (including tourism activities), production and transportation*

*The incredible diversity of its landscapes (endless intact beaches, mountains of wild beauty, impressive forests), the warmth of its climate, the richness of its culture, the mild hospitality of its people, and the low cost of life, are things that make of Albania a wonderful place. Furthermore its position like a gate into Europe makes of the country a preferable destination for larger investments from outside of Europe.*

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The AL-Tax works to increase public and governmental understanding of issues related to the fairness of Albanian's economic-fiscal and social system and the stability and adequacy of state and local public services.

Our primary purpose is to promote education in taxation, help and assist them with the proper expertise and protect from abusive actions from public administration. One of our key aims is to achieve a more efficient and less complex tax system for all. Our comments and recommendations on tax issues are made solely in order to achieve this aim; we are an entirely apolitical organisation.

This paper has been prepared to assist domestic and foreign investors in decisions regarding local taxation and to alleviate concerns regarding the feasibility of the value-based residential property tax. In accordance with international taxation practice, this tax must take its place in local taxation, where it can expand the tax base of local governments and provide a second pillar for Albanian local governance.

Local governments are fundamentally attempting to levy as little tax as possible, and they are particularly reluctant to tax local residents.

This study attempts to introduce a wide circle of information's.

The qualities of our work try to reflect the quality of our people. As well as our staff, we are proud of our network of collaborators around the world, many of whom have taken the skills into high-profile roles in the media, politics, the civil service, institutions, the voluntary sector and the private sector.

For more, [www.al-tax.org](http://www.al-tax.org)

Or email [altax@consultant.com](mailto:altax@consultant.com)

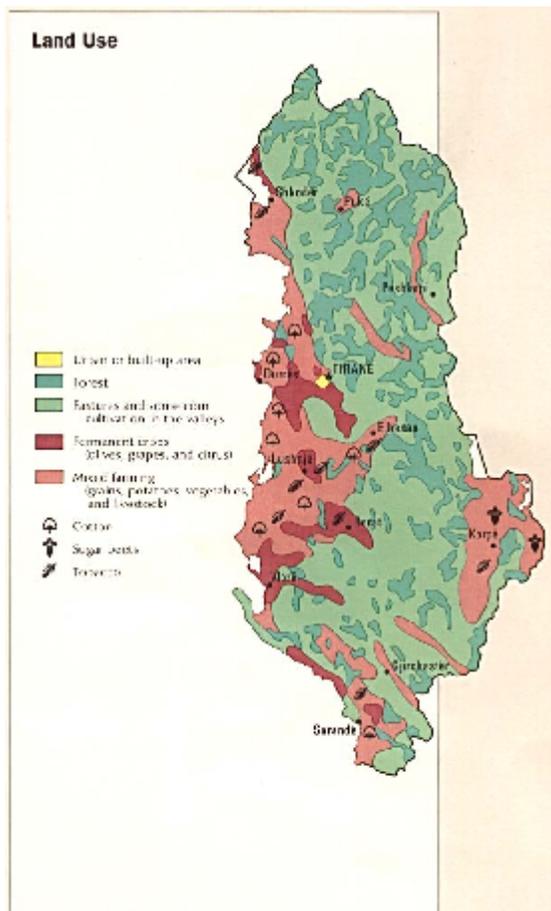
Tirana, November 2011

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### What is the economic situation in Albania?

The Albanian economy is a free market economy, governed by the law of supply and demand, characterized by its access to the foreign investment, its inexpensive and qualified labor, and in summary its fabulous climate for the investor. Recently, the country has been made outstanding progress, thanks to the policies adopted by its Government, sustained by the development of infrastructure and its competitiveness. GDP growth averaged around 6% between 2001 -2008, but declined to about 3.2% in 2009-10. Inflation is low (2.5%-3.4%) and stable.

### What is the situation with land and property in Albania and procedures?



Any foreign individual or legal entity, resident or non-resident, may buy Property in Albania. The land or building seller prior to signing the sale contract applies with the Immovable Properties Registration Office to obtain the fresh Property Record where are reflected any liens, mortgages, leases or other encumbrances registered over the property. The Property Records are accompanied by the Property Map.

The buyer files for registration of the executed contract at the Immovable Properties Registration Office, within 30 days from the date of the contract signature. The buyer files the original copy of the contract signed by both parties, accompanied by the i) Original copy of the Ownership Certificate or the Ownership Attestation; ii) the updated Property Records issued no later than 72 hours before the contract is signed; iii) Property Map and iv) the receipt of the payment of the fee for

transferring the ownership title. The cost it is € 17 according to official fee schedule.

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The Immovable Properties Registration Office issues the Ownership Certificates for the properties registered under the new electronic registry. For the properties that are not registered in the electronic register the Immovable Properties Registration Office issues an Ownership Attestation. Ownership Certificate is issued only once, while the Ownership Attestation is issued upon request of the owner or its representative. Cost of this procedure it is € 8 according to official fee schedule.

In order to execute the sale-purchase contract the seller submits to the notary public: i) Ownership Certificate or the Ownership Attestation; ii) the updated Property Records, issued not later than 72 hrs before the contract signature; iii) Property Map . Value of real estate property Notary fees are estimated proportionally (for transaction € 700 up to € 21,000 the fee it is € 250 to € 500).

### **What is the general cost of purchase and ownership of Property in Albania?**

The buyer must pay the general expenses, costs, and taxes related to the purchase of Property in Albania; these depend on the kind of Property everyone is trying to acquire (developed land, land for development, building, etc). Such costs can be ranked as follows:

A transfer tax is levied upon the transfer of immovable property located in Albania by companies whether Albanian or foreign. Both sales and donations are subject to transfer tax, whereby no deductions are allowed. The seller or the donor are the persons liable for the tax. The tax is calculated as a fixed amount per m<sup>2</sup> for buildings (€ 7 for residential buildings and € 14 for commercial buildings in capital and less for other cities) or as a percentage (2%) of the taxable base for other immovable property. For agricultural land transfer, the applicable rate for the income tax is 0.5%.

The taxes that have to be paid for the registration of the transfer of immovable property. This tax is categorised in brackets, as below:

<b>Price of immovable property (€)</b>		
From	To	Tax rate
0	14,200	<b>0.50%</b>
14,201	28,500	<b>1%</b>
28,501	42,800	<b>2%</b>
42,801	up	<b>3%</b>

We advise you, to preliminary open a domestic bank account in domestic or in a foreign currency. This account will allow the transfer of the required money for the acquisition of the property as well as all the related costs. Both, fee and tax are payable at any second-tier bank of the territory of Albania.

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Mortgages are available. Finance companies offer mortgage loans for foreign people, resident or not, and finance up to 70% of the purchase price. The procedure for the grant of a mortgage in Albania is similar than in Europe. Normal documents are required by finance company relating to the Property the subject matter of the mortgage together with information on income and solvency of the buyer.

### **Can you rent your Property?**

In the same way that any foreign national has the right to acquire a property in Albania, he can also rent it. Their lawyer should draw up a rental contract between the landlord and the tenant, and then their accountant shall complete the annual declaration of the incomes before the tax administration. Once again, the assistance of a legal and financial advisor is of great importance. We are in your disposition to assist with both.

### **Do you pay tax on rental income?**

Rental income tax is payable at source with 10% rate calculated on gross income; however, the law provides a total exemption from the Value Added Tax, in case of a rental of built premises or land more than two consecutive months. As to taxation sum to pay they vary according to the level of rental income. The taxpayer must complete an annual tax return. We can assist with this if required.

When a property is purchased, the purchaser is required to pay some taxes in relation to the nature of the above-mentioned property.

Once the contract is signed, it shall be recorded and registered in the Immovable Properties Registration Office. We are happy to advise further.

Property selling in Albania is subject to payment of personal income tax. The tax amount is part of flat tax system to 10% of the sales price, even though no profit or capital gain has been achieved but this is subject to many considerable exemptions and allowances. We would be happy to advice.

Foreign investors can repatriate the investment and any profit, as described below:

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- The transfer or liquidation of investments and repatriation of the investments and associated profits.
- The transfer and repatriation of incomes produced by these investments.

**How can you be considered as a Tax Resident in Albania?**

Albania has concluded many double taxation agreements with different countries, so to be considered as a Tax Resident in the country, the individual is considered as an Albanian resident, when having a permanent residence, his family, i.e. *He* has economic and living interests with Albania (the country of vital interests), despite of the fact that he might work abroad at times or might have a foreign citizenship. The individual staying in Albania during a tax year, in continuance or with interruptions, totaling more than 183 days, independently from his citizenship or the country where his vital interests are, is considered an Albanian resident. In the assessment of duration of stay in Albania are accounted not only working days, but also departure and arrival days, holidays (days of physical presence).