

# Tax Bulletin

## *Fiscal Package 2020*

A summary of the main changes introduced by the Fiscal Package 2020 with effects as of 15th of January 2020:

### **Tax procedures:**

- Most of the changes aim the harmonisation with the newly introduced Law on Invoices and the System for Monitoring Transactions (Law no. 87/2019) and will become effective in accordance with the timeline set forth in the latter law.
- In specific cases, tax amounts to be paid or paid in excess in the tax or customs administration may be set off against each other. The specific cases, procedures and criteria will be established by instruction of the Minister of Finance and Economy.
- In specific cases, at the request of tax administration, the taxpayer may enter into an instalment payment agreement with the tax administration by setting a detailed payment plan for the liabilities of the tax administration against the taxpayer. In this case, no late interest payment will apply on the liabilities of the tax administration. The specific cases, procedures and criteria will be established by decision of the Council of Ministers.
- For specific violations such as those related to registration of taxable persons; use of fiscal equipment; documentation of goods, documentation of sale transactions of goods or services and issuance of tax invoices, registration of employees or any other verification of implementation of tax legislation, the tax administration may carry out in site inspection without prior written notification but only upon presentation of the ID document and daily working order.

### **Income tax:**

- Transfer of ownership right of the residential premises / or land, within a family i.e. to a spouse or child, only once to a beneficiary, through donation and / or renunciation of property is exempt from personal income tax.

- Individuals who are employed by more than one employer even though they do not meet the annual income criterion of declaration based on individual turnover of over 2 million ALL per year are obliged to fill in and submit their Individual Annual Income Declaration (DIVA).
- For legal entities that generate taxable annual profit of over 100 million ALL, sponsored amounts, within the limits provided by Law no. 7892, dated 21.12.1994, "On sponsorships", as amended, for sports team activities, part of sports federations recognized by the applicable legislation in the field, for the purpose of calculating the tax on the profit of the tax period, is deducted up to three times the value of the sponsored amount.
- For taxpayers who invest in business projects worth over ALL 1 billion, if taxable profit in a tax period turns negative, the resulting loss can be covered by profits in the next five tax periods, according to the principle "first loss" before the last one". The criteria will be established by an instruction of the Minister of Finance and Economy.
- For legal entities operating in the automotive industry corporate income tax rate is 5%.

#### **VAT:**

- The reduced VAT rate of 6% is applicable on supply of electric motor buses of 9+1 or more seats, as means of public transportation for passengers.
- The supply of vehicles with only electric motor, new, zero km, not previously registered for circulation in any other country is VAT exempt.
- In case of reverse charge, the issue of the invoice from the recipient side should be made not later than the 10th of the month following the month when the VAT arises.

#### **National taxes:**

- The value of the vehicle classified as "Luxury vehicle" will be depreciated annually at 10% of the residual value and the sales value of vehicles classified as "Luxury Vehicle" may not be less than the value of the vehicle.
- The category of persons with disabilities are exempt from annual taxes on used vehicles of 4 + 1 seats and cylinders not more than 2500 cubic meters, when used for personal needs.
- The penalty for late payment of the annual tax on used vehicles will be 0.06% of the unpaid tax obligation for each day of delay up to a maximum period of 365 calendar days.

## **Revaluation of immovable property:**

- From the 14th of January 2020 until September 30, 2020, individuals who own immovable property have the right to revalue their immovable property at market value.
- The revaluation may be done by an expert licensed for the valuation of the immovable property or by the local offices of the State Agency of Cadastre.
- The tax payable on the revaluation will be calculated at 3% of the taxable base. In case of revaluation of the property from a licensed expert the taxable base is calculated as the difference between the value indicated in the valuation report which may not be less than the minimum fiscal prices and the value of the property of the registered act or revalued value for which the tax has been paid. In case of revaluation of the property from State Agency of Cadastre the taxable base will be the difference between the reassessed value at the minimum fiscal prices and the value of the property of the registered act or revalued value for which the tax has been paid.
- Legal entities that have recorded immovable properties in their financial statements at a value lower than the market value may carry out the revaluation at the market value of these properties within September 30, 2020. The revaluation is done by an independent expert licensed for the valuation of the immovable property. The tax payable on the revaluation will be calculated at 5% of the taxable base. The taxable base will be calculated as the difference between the reassessed value and the accounting book value of the immovable property.