



THE PROCEDURES AND THE REGULATIONS FOR THE REIMBURSEMENT OF THE VALUE ADDED TAX

Reimbursement for the financial agreements

Based on the President's decree No.1582, dated 15.08.1996, on financial agreements ratified by the Assembly or approved by the Government as grants, it is stipulated that foreign financial sources are not used to pay for taxes and fees, including the Value Added Tax (VAT). The already paid tax will be reimbursed to the foreign financiers by the tax administration within 45 days.

The procedures for the VAT to be paid as stated hereby and based on the point 20.2 of the Instruction No. 17, dated 13.5.2008 "On Value Added Tax", changed, are as follows:

a) When VAT is paid directly by the donor

When VAT is paid directly from the donor project implementing unit or in Albania, for the in country purchase as well as for imports, the implementing unit presents at the tax branch department (where the project implementing unit is based) the following documents:

- Reimbursement request, claiming the requested reimbursement total, the already implemented activity, the reasons for the reimbursement, etc.
- A notarized Albanian copy of the Agreement as ratified in the Assembly or the Agreement as approved by the Government. The Agreement should include the name of the project or projects, the total value of each of the projects; start date and end date of each project. The Agreement copy is accompanied with the list (names and surnames) of the official representatives of each project.
- The monthly VAT statement, where the credit balance (box 22) should have the equal value of the VAT amount requested to be reimbursed.
- The original purchase bills (in the case of in-country purchases) and the original customs statements (in case of the imports). The bills and the customs statements should visibly have the note: "The purchase/import is done in the framework of the Agreement ratified in the Assembly or Agreement approved by the Council of Ministers Nr. __, dated __/__/20__ and for the objectives defined in this Agreement". This statement is prepared by the official representative of the project implementing unit, acknowledged by the tax branch department (as based on the above list), which should also include the name, surname and the signature of the representative on this statement.

b) When the VAT is paid by the implementing partner of the projects

The project' implementing partner will always be charged with VAT, which is always to be paid by the implementing company in charge of the project implementation. However, the VAT will be reimbursed to the company (upon representation of the VAT value in bill of quantities) either by the donor (in the case that the donor has previously accepted this) or



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by the domestic resources financed at local costs in accordance with the Council of Ministers decision No. 509, dated 12.08.1996 (in the case the donor does not accept).

c) When the donor accepts to finance the VAT

In this case the company in charge of the project implementation is obliged to apply the VAT value from the bill of quantities. From this VAT quantity should deduct the already paid VAT for the company purchases and the difference represents the paid VAT that the company has to pay.

The project implementing company is obliged to hand in to the project implementation unit the original bill of quantities for the project implementation. The latter (the project implementation unit) presents at the relevant tax department branch (where the project implementation unit is based) the following documentation:

- The reimbursement request stating the requested reimbursement value, the already implemented activity, the reasons for the reimbursement, etc.
- The notarized Albanian copy of the Agreement ratified in the Assembly or the Agreement approved by the Government. The Agreement should include the name of the project or projects, the total value of each of the projects; the start date and the end date of each project. The Agreement copy is accompanied with the list (names and surnames) of the official representatives of each project.
- The monthly VAT statement, where the credit balance (box 22) should have the equal value of the VAT requested to be reimbursed.
- The original copy of the bill of quantities which should visibly have the note: "The bill of quantities is defined in the framework of the Agreement ratified in the Assembly or Agreement approved by the Council of Ministers Nr. ____, dated ___/___/20__ and for the objectives defined in this Agreement". The statement is prepared by the official representative of the project implementing unit, acknowledged by the tax branch department (as based on the above list), and the representative should also write down the name, surname and the signature on it.

All the reimbursement cases are processed as defined above in the article 16 of this instruction.

d) When the donor does not accept the VAT financing

In the cases when the donor does not accept to finance the VAT, the Council of Ministers Decision No. 509, dated 12.08.1996 will be followed. Based on this Decision, the VAT is financed by the beneficiary or the local project investor and is paid by the company that is implementing the project.

Reimbursement rights for the Embassies will be based on the reciprocity principle

This is stipulated in the Article 25 of the Law "On Value Added Tax" and for the international organizations it will be processed based on the international agreements. The law excludes NATO which is covered by a different procedure (hand-over certificate).



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Thus, in regard to the above mentioned the exclusions from VAT or VAT reimbursement at this point will be processed:

- Based on the reciprocity which means that it is in line with the countries where our embassies act;
- According to the international agreements which mean that the exclusions have been previously stipulated in the agreement and, according to the Constitution, the agreements that stipulate the exclusion have priority over the local laws.

Based on the request of the Ministry of Foreign Affairs, the issue of VAT reimbursement has been given high priority from the tax administration which has expedited accelerated procedures within 30 days.

It can be that the official procedures can bring delays, as for example due to the transferring necessary amounts of money from one institution to the other, or because of the procedures that are followed by the Ministry of Foreign Affairs to transfer the amounts of money based on the presented requests of the respective embassies or organizations.

Issues of the VAT reimbursement for the donors projects

This issue is related to the Line Ministries regarding VAT financing.

For the donors' projects, in case when these projects are in accordance with the ratified agreements from the Assembly, the donors are exempt from the VAT. Mainly, as per most of the agreements the donor does not accept the VAT financing and this is regulated by the Council of Ministers Decision No. 509, dated 12.08.1996, according to which in cases when the VAT is not financed by the donor, than the project beneficiary finances it, while it is paid by the project implementation company.

Thus, this issue is legally solved and regulated in that way that the ministries or other national or local institutions are accorded a fund "project's local cost" to finance the VAT for the project implementation.

In this regard, when there are misunderstandings or doubts on who is the beneficiary or the line institution that finances the VAT, it should be better that the contracts that will be signed with for project implementation to cover the share of "local costs". As tax (VAT) administrators, we are interested for this to be clearly defined in the respective project contracts for the implementation of different agreements. The parties signing the contracts should clearly define the beneficiary because we also have our administrative costs in collecting the VAT.