

## The Albanian Customs System

### Customs Legislation and Administration

The Directorate General of Customs (DGC) is the institution responsible for the management of customs in the Republic of Albania. DG Customs is under the Ministry of Finance and conducts its activity pursuant to law no.8449 dated 27.01.1999 "Customs Code of the Republic of Albania" and its respective bylaws. The Albanian Custom Code is designed based on the Instruction of the Council of Europe EEC No. 2913/92 dated on 12 October 1992.

The general legal framework mainly consists of:

- Law no.8449 of 27.01.1999 "Customs Code of the Republic of Albania" which is in line with Regulation 2913/92/EEC "The Community Customs Code". This law has been drafted with the assistance of CAM-A experts.
- Law no.8474 of 14.04.1999 "On the Combined Nomenclature of Goods" based on Regulation 2263/2000/EC which amended Annex I of Regulation EEC 2658/87. The nomenclature of goods in Albania changes every year as a result of the fulfillment of WTO requirements and Free Trade Agreements.
- DCM no.205 of 13.04.1999, "On the Implementing Provisions of the Customs Code", based on Regulation 2454/1993/EC.
- Free Trade Agreements

More info about Albanian customs can be found in [www.dogana.gov.al](http://www.dogana.gov.al).

Customs administration in the Republic of Albania is divided into 5 regional directorates as indicated below:

No.	Regional Directorate	Branches
1	Shkodra	Shkodra Lezha Morina Bllada Qafe Prush
2	Tirana	Tirana Rinasi Durrresi
3	Pogradeci	Qafe Thane Kapshtice Korça Elbasani
4	Vlora	Vlora Fieri Berati
5	Gjirokastra	Gjirokastra Saranda Tri Urat

### ASYCUDA System

Albanian Customs apply the Automatic System for Custom Data ASYCUDA ++<sup>1</sup>. Thanks to this system, the Albanian customs system can provide faster clearance procedures. This program has unified customs procedures in all branches and automatically produces Customs Declarations from registration until the moment of payment. This has improved the dissemination of foreign trade data.

### Convents and Agreements

Albania is member of the World Customs Organization since August 1992. In January 1985, Albania became adherent to the TIR (Transport International Routier) Covenant of the United Nations. Albanian Customs has also adhered to the Johannesburg Covenant "On mutual administrative assistance on customs matters" and the Nairobi Covenant "On mutual administrative assistance on the prevention, investigation and percussion of custom rules violations". Bilateral agreements on customs assistance have also been signed with Italy, Greece, Macedonia, UNMIK, Moldavia, Bulgaria, Slovenia, Romania, Poland, Turkey, Croatia, and Cyprus.

<sup>1</sup> This is a computerized programme developed by UNCTAD used in more than 80 countries in the world.

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## Custom Tariffs

Custom tariffs apply to all goods specified in the nomenclature based on the harmonized system (HS) as well as any other nomenclature which is wholly or partly based on the HS. **Tariff levels applied by the Albanian Customs vary according to the type of goods and can be 0%, 2%, 5%, 6%, 8%, 10% and 15%.** Custom tariffs in the Republic of Albania are frequently amended to reduce of tariff levels according to the requirements of WTO. Custom tariffs include:

- ◆ The rates and other charges normally applicable on goods covered by the nomenclature based on the harmonized system.
- ◆ The Preferential Tariff Measures contained in the agreements which the Republic of Albania concludes with certain countries or group of countries which provide for granting of preferential tariff treatment.
- ◆ Autonomous suspensive measures providing for a reduction in or relief from import duties chargeable on certain goods (Favorable Tariff Treatment – FTT).
- ◆ Other tariff measures provided in the framework of the Albanian trade policy.

## ALBANIAN CUSTOMS REGIMES

**1. Free circulation regime** - Import or release of goods into free circulation, as a category of customs regime, means the permanent placing of goods on the territory of Albania. Products set under such a regime are subject to all trade policy measures, such as customs duties and other related payments.

**2. Export** - Export regime is applied on all the Albanian products destined for export outside the Albanian customs territory.

**3. Active processing (Fason Regime)** - The active processing regime implies that foreign goods that undergo transformation or processing on Albania's customs territory for the sole purpose of re-export, are exempt from VAT taxes.

**4. Processing under customs control** - This regime allows goods to be imported from outside Albania for processing operations which change their nature or state without being subject to import duties or other trade policy measures. Duties becomes payable when the finished product is put into free circulation and is then payable on the finished product as if it had been imported directly.

**5. Temporary Permit Regime** - Under such a regime non-Albanian goods destined for re-export can be used in the Albanian customs territory being completely or partially exempted from import duties and any trade policy measures if they are not changed ( with the exception of depreciation). The maximum period allowable under this regime is 1 year. After this period the goods should be re-exported.

**6. Passive Processing** - Albanian products are allowed to be exported temporarily outside the Albanian customs territory to be processed and the resulting product may be placed in free circulation (re-imported) with complete or partial exception from import duties.

**7. Transit regime** - Transit of goods and vehicles means the movement of goods and/or vehicles between foreign countries through the territory of Albania without the application of economic policy measures. Goods transported through the territory of Albania are exempt from customs duties, VAT, and excise taxes.

**8. Temporary Warehouse regime** - Products are considered under the status of temporary storage from the moment they are present to the custom office until the time their destination is determined. These goods are held in designated areas approved by custom authorities.

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## Value Added Tax (VAT)

### Imports

VAT is assessed, applied, and paid on the import of goods as if it were a customs duty. VAT on imports is paid at the moment goods enter the Albanian customs territory. The VAT rate is 20% of the taxable value which includes the purchase price plus transport and insurance payments made until the moment goods enter the Albanian customs territory. Tariffs, taxes, and other export–import duties paid until this moment are also included in the taxable value.

For machinery and equipment imported for investment in the production, construction, transport, and telecommunications industries, and in the Albanian Power Corporation (KESH) a VAT deferral payment system is applied. Based on this system, VAT is not paid at custom points upon importation, but at the moment VAT Declaration is submitted to the tax office where the taxpayer is registered. The deferred payment system is defined in the Normative Act no.5, dated 06.10.2000 of the Council of Ministers, Decision of the Council of Ministers (DCM) no.49, dated 26.01.2001 and DCM no.122, dated 03.03.2005.

**According to the Instruction of the Minister of Finances No.3, dated 30.01.2006, importers of machinery and equipment can take advantage of VAT credit at the rate of 100% if the machinery and equipment will serve entirely to his/her taxable economic activity.**

Import of goods placed in the transit regime, those declared to fall under the Temporary Allowance regime, and that of active processing are exempt from VAT. Other VAT exempt supplies include:

- ◆ Import of donated live animals for breeding purposes.
- ◆ Import of goods or services related to the exploration and development phases of petroleum operations carried out by contractors working for these operations. Contractors and subcontractors are certified as such by the National Petroleum Agency

### Exports

Albanian exports are exempt from VAT (VAT rate 0%). The Export Declaration serves as proof of export and is designed according to the Unique Administrative Document (UAD) available at the Export Custom Office.

Exporters can benefit from a VAT credit for the purchase of materials and services used for the processing of products destined for export. If tax credit for a taxation period is higher than VAT applied in that period, taxpayers have the right to use the credit surplus during the following taxable period.

Taxable persons have the right to request a reimbursement of the credit surplus after 3 months and when the amount is greater than 400 000 ALL. Credit surplus to be reimbursed for exports is calculated as a product of the total value of exports in a month and total value of VAT. Reimbursement is done based on risk analysis according to the procedures specified in the Instruction of the Minister of Finances "On the specification of criteria for VAT reimbursement to exporters based on risk analysis". According to this instruction, exporters classified as minimal risk<sup>2</sup> have precedence in VAT reimbursement.

2. In this category fall those export companies that: a) produce 100% for exporting, b) have practiced export activities for over 3 years, and c) have been tax audited at least once in the last 2 years.

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