


Value Added Tax and its Administration

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- For the first time Value Added Tax was applied in France in 1968 by the French Tax Authority. It was initially applied to large businesses, and over time all business sectors were included.
 - Value Added Tax, or VAT, in the European Union is a general tax, a broad-based consumption tax assessed on the added value of goods and services.

Value added tax and basic concepts

- A taxable person is any individual, partnership, company or anyone who supplies taxable goods and services in the course of business activity.
- The basic determining element is the annual turnover.
- If the annual turnover of this person is less than a certain limit (threshold), which varies according to each EU member state, the person does not have to apply VAT to his sales.
- Value Added Tax (VAT) is one of the most important taxes for government budgets.

Value added tax is:


- A general tax that applies, in principle, to all commercial activities involving the production and distribution of goods and the provision of services.
- A consumption tax because it is paid by the final consumer.
- VAT is not an obligation for businesses. It is paid to the tax authorities by the seller of the goods, who is a "taxable person".
- It is applied as a percentage of the price.
- It is collected in parts, through a system of partial payments.


Collection of VAT based on invoices

- VAT is a tax that is collected on the basis of invoices.
- For the buyer who is subject to VAT, this tax is called deductible VAT.
- The buyer in a second moment is in the position of the seller, charges the VAT on the sales price, which is called collectable VAT because it will be paid by the purchasing customer.
- The difference between collectable VAT and deductible VAT is called payable VAT and is paid to the tax authorities.

Value Added Tax in Albania

- VAT is a general tax on the consumption of goods and services, proportional to their price, which is imposed on the price without tax, at every stage of the product's transition from production to final distribution.
- VAT is a proportional tax that is applied as a percentage on the price of goods and services and is paid after deducting the VAT applied to goods and services that are part of their cost.

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- The taxable person is taxable with VAT, regardless of the result of the activity (profit or loss), status or form of organization of the entity.
 - The import of goods is also in the scope of VAT.
 - Economic activities carried out by persons subject to VAT are called transactions in the field of VAT implementation, however these transactions may be taxable with VAT according to the rate of VAT applicable according to the law, or they may also be exempt from VAT when the law determines the exemption.

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- A person taxable with VAT is such regardless of the result, the result (loss/profit) is not a criterion for being a taxable person.
 - Economic activity (activity) is any activity performed by producers, traders, persons who supply goods or services, including extractive, agricultural and professional activities.
 - Non-profit organizations that benefit from VAT exemption for the supplies they provide

Beginning of the tax liability

- The birth of a tax liability means the demand for it to be paid and is related to making the payments.
- The tax liability arises when partial payments or successive payments are made for supplies of goods or services, which are considered to have been made at the end of each period.
- The tax arises and VAT becomes chargeable in the case of importation when the importation of the goods has been carried out.


Categories that are subject to VAT

- The minimum registration limit for value added tax is the turnover of 10,000,000 (ten million) ALL in a calendar year.
- The minimum registration threshold for value added tax has changed several times over the years.
- Any natural or legal person who imports circulating goods is obliged to submit to the normal regime and register for VAT, regardless of the actual turnover or the expected turnover.



VAT rates

- The standard value added tax rate for supplies of goods and services is 20 percent. This rate is applied as a percentage of the taxable value.
- The reduced rates of value added tax are 10, 6 and 0 percent.
- The VAT rate that applies to imports of goods is the same VAT rate that applies to the sale of the same goods within the country's territory, 20 percent.

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- Given that EU law only requires that the standard rate of VAT be at least 15% and the reduced rate at least 5% (only for supplies of specified goods and services), the actual rates applied vary between Member States and between certain types of products.
 - In addition, some member states have maintained special rules in certain areas.

Transactions with the right to deduct VAT

The categories that benefit from the right to deduct VAT are supplies taxable at the applicable VAT rate and supplies at zero VAT rate or similar to exports.

If a business (taxable person) makes exempt supplies, it does not have the right to deduct VAT for the supplies received.

Transactions excluded according to the law, even though they are transactions in the field of VAT implementation, are excluded transactions without the right to VAT deduction.

The right of deduction is exercised in the declaration of the period in which the supply or importation is carried out. This is also the period in which the demand for VAT arose.

Taxable value and market value of supply

- The taxable value of a supply consists not only of the price of the good or service, but also includes various elements related to it, such as:
 - taxes, fees, duties, fees and similar payments related to the supply, with the exception of VAT, as well as,
 - secondary costs, such as commission, packaging, shipping and insurance costs that the supplier charges to the buyer or customer for the supply.

VAT declaration

- Every taxable person must submit a VAT return, which contains all the necessary information on which the calculation of VAT is based, which has become demandable:
- the amount of VAT that can be deducted,
- taxable values of actions related to the calculation of collectable and deductible VAT as well as
- the value of supplies exempted from VAT.

Exemption from VAT

- Small business regime
- Taxable persons subject to the small business regime have the right to choose to be subject to the normal VAT regime by registering with VAT liability.
- Limitations on the VAT deduction for certain supplies
- Deregistration from VAT of the Taxable Person
- VAT refund