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Council of Ministers adopts the methodology for determining the tax base for purposes of application of the local property tax for buildings

On 07.03.2018, the Council of Ministers approved decision no. 132 on the methodology for determining the tax base of immovable property “buildings” (the “Decision”).

The Decision entered into force upon its publication in the Official Journal (i.e. 13.03.2018) but its application will start from 01.04.2018.

Methods for determining the tax base of buildings

Pursuant to the Decision, there are various methods to determine the tax base (taxable value) of buildings. Such methods are subject to a determined order, with the self-declaration being the first one. Only in case such method has not been applied, has not been applied correctly, or the data provided are incomplete and do not allow an accurate assessment of the property that shall be taxed, it may be proceeded with the application of the alternative methods as listed below.

1. Self – declaration

Each taxpayer (individual or legal entity) that owns or uses buildings shall declare the data of such property (including information on location, surface, and value). Such declaration should be done at the local self-government units or any institution authorized either by the government or by local self-government units for such purpose.

2. Determination of taxable value based on the reassessed property value, as recorded with the register of immovable properties kept by local Immovable Property Offices (IPO)

In this case, the reassessed value of the property, as recorded near the local IPO (i.e. the reassessment performed by the owner aiming to reassess the value of property on the basis of its market value) will be used as a reference value of the property. However, if during the last 3 years the property has been subject to a sale transaction, the highest value between the transaction value and the reassessed value registered with IPO will be considered as a taxable base.

3. Determination of the value according to the reference sale price

If none of the above methods can be applied, the price used for the assessment of the buildings' value shall correspond to the reference price of buildings, according to the city they are located. Reference prices of buildings used for dwelling for each city are set forth in an annex attached to the Decision. Such reference prices are multiplied by a coefficient of 1,5 (or 2 in case of buildings located in Tirana) if the buildings are used for commercial purposes.

Instead, if the buildings are used for industrial purposes (i.e. production, processing or storage of industrial goods) the reference prices are 50% of those applicable for buildings used for dwelling purposes.

Verifications of the local self-government unit

The local self-government units are entitled to carry out periodical field verifications to verify the declaration of the surface of the building, and on the basis of such verifications they make any necessary correction in the database. The verifications also serve for the registration of new buildings, in which case, the local self-government units require information from official sources (if any) for the surface of the building and compare it with their own verification. In lieu of available information they proceed with a self-assessment of the building.

When the existence of building can be identified, but not the surface, the following reference values shall be used: 100 sq. meters for dwellings, and 70 sq. meters for dwellings privatized according to the law no. 7652, dated 23.12.1992 "On privatization of state dwellings", as amended. Building not used as dwellings, are subject to the field verifications of the authorities.

Differentiated tax rates within the same local self-government unit

The local self-government units may decide that for certain areas of their territory differentiated tax rates within a margin of +/- 30% shall apply. The Decision authorizes the local government units to reduce the reference price of the dwellings outside the respective city, with the exception of residential areas, up to 35% (30% for the properties located in the Municipality of Tirana), compared to the closest areas.

The application of the property tax on buildings

The local self-government units determine the tax base and calculate the amount of annual tax to be paid by each taxpayer using the data collected upon the property. According to the Decision, the tax base is the value of the property, determined according to one of the above-mentioned methods. Whereas for the purpose of calculating the tax itself, the base of the tax shall be multiplied with a percentage rate approved by the Law on Local Taxes, according to the category of the buildings as follows:

- i. 0.05% for buildings used for dwelling;
- ii. 0.2 % for buildings used for economic activity;
- iii. 30% of the respective tax amount for the entire building, for which the developer has failed to complete the construction within the deadline set forth in the construction permit.

In case the taxpayer does not agree with the assessed value of the property, he is entitled to request the correction of the tax obligation and the local tax office shall review the request and decide upon it within 30 days. In case the taxpayer does not agree with the decision of the local tax office, he is entitled to file an administrative appeal.

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