

Taxes and Incentives for Five Star Hotels in Albania



Tirana



Legal Basis:

- Law 93/2015, "On Tourism" (as-amended);
- Decision of the Council of Ministers no. 257, dated 09.05.2018 "On determining the criteria, procedures and documentation for entities applying for the status Investor in accommodation structures with 4 or 5 stars, with special status";
- Law no. 9632, dated 30.01.2006 "On local taxes" (amended);

Kindly note that as part of the Fiscal Package 2018, the Albanian government approved certain fiscal incentives for "4 and/or 5 star hotels/resorts with special status" as listed herein below:

A. Supplies of goods and services within these structures are treated with VAT at a reduced rate of 6%; B. The 4-5 star structures object of the Law 93/2015 and its bylaws, are exempt from:



i. Corporate income tax for a period of 10 years for structures that obtain the special status until December 2024;

ii. Tax of impact on infrastructure;

iii. Tax on immovable property.

Fiscal laws refer to the legislation on tourism. In order to determine which structures will be considered as "4/5 star hotels/ resorts, with special status", the fiscal laws, refer to the legislation on tourism, specifically Law 93/2015 "On Tourism". In this context, Law no. 114/2017 "On some additions to the law no. 93/2015, "On tourism"",

provides:

(i) Definitions for "4 or 5 star accommodation structures, with special status", "Investor in a 4 or 5 star accommodation structure, with special status" as well as "Managing Operator of a 4 or 5 star accommodation structure, with special status"; (ii) The criteria to be met by an applicant to obtain the title "Investor in a 4 or 5 star accommodation structure, with special status"; as well as, (iii) Delegation to the Council of Ministers of the right and obligation to provide the other criteria, procedures and documentation to be fulfilled by entities that apply for the status "Investor in 4 or 5 star accommodation structure, with special status".

Following, the Council of Ministers has approved the Decision No. 257, dated 09.05.2018 "On determining the criteria, procedures and documentation for entities applying for the status "Investor in accommodation structure with 4 or 5 stars, with special status", published in the Official Gazette No. 70, dated 16 May 2018. We kindly invite you to find herein below a summary of the main provisions of DCM 257.

- Who can apply to obtain the status of an investor?

In order to obtain the status of "investor in a 4 or 5 star accommodation structure, with special status", any investor that meets the following general and specific criteria has the right to apply:

I. General Criteria: The applying investor must:

Invest in the construction of a 4 or 5 star accommodation structure, in the areas that have a priority in tourism development and the constructed structure be certified as such;

Have a valid management contract, lease contract, 'franchising contract' or other similar



contracts during the entire duration of the status with a "managing operator of accommodation structures with 4 or 5 stars, special status", where the latter must meet certain criteria set out in this Decision;

To carry forward its activity according to domestic/foreign legislation, not be subject of bankruptcy and/or liquidation procedures, and to comply with all the obligations deriving from domestic/foreign legislation on taxes; etc,

II. Specific Criteria: The applying investor must:

Invest an amount of at least 8 million Euro for the construction of a 4-star accommodation structure and at least 15 million Euro for a 5-star accommodation structure;

To have had an annual turnover of at least 40% of the investment value in the last three financial years taken together.

- procedure to obtain the status:

Before submitting the application with the ministry responsible for tourism, the applicant must pay the non-refundable application fee, which is:

- ALL 200,000 for applicants to become investors in 4 star hotels; - ALL 300,000 for applicants to become investors in 5 star hotels;

The evaluation commission of applications at the Ministry of Tourism decides by simple majority on the application and submits to the minister responsible for tourism the summary report;

The Minister reviews the summary report of the commission and if he/she agrees, he/she proposes to the Council of Ministers the granting of special status to the applicant "investor in a 4 or 5 star accommodation structure, with special status". Against the decision of the Minister can be filed a lawsuit with the court;

The Council of Ministers approves the granting of the status and afterwards, the investor and the ministry sign the development agreement after the investor has put a guarantee of EUR 0.8 million for 4-star hotels and EUR 1.5 million for 5-star hotels.

Justifying documentation:

The documentation to be submitted by the applicant for "investor in a 4 or 5 star accommodation structure,

with special status" shall contain (but not be limited to) the following information:

- a) the data of the applicant entity;
- b) description of its economic activity;
- c) the curriculum vitae of managers and qualified staff who will manage the accommodation structure;
- d) proposal of the technical project related to the accommodation structure;
- e) project funding sources;

f) feasibility study;

g) assessment of the environmental impact of the project;

h) and assessment of the social impact, economic impact and the expected employment level.



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