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Global Corporate Tax Handbook 2022

Global Corporate Tax Handbook - 2022

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Preface

IBFD is pleased to present the 2022 edition of the *Global Corporate Tax Handbook*. Together with the *Global Individual Tax Handbook*, these titles provide the reader with a complete overview of the tax systems in 101 countries throughout the world.

All of the country surveys have been compiled to contain the most up-to-date information possible. In addition to the country level surveys, a chapter on the European Union is included, as well as descriptions of the seven most important Swiss cantons.

The chapters of this book are also available in the online collection Country Surveys of the IBFD Tax Research Platform, which contains descriptions of the tax systems of over 200 countries and, in addition, descriptions of the tax systems of all Swiss cantons, US states and Canadian provinces, and selected Mexican states. The online title is *Global Tax Explorer*. It also includes the texts of income tax treaties concluded by all countries worldwide.

More comprehensive coverage of the majority of the jurisdictions can be found in the online collection Country Analyses. A combination of Country Surveys, Country Analyses and the texts of income tax treaties concluded by countries worldwide is offered via the online title *Global Tax Explorer Plus* and regional subsets of this title on Africa, Asia-Pacific, Europe, Latin America and the Caribbean, and the Middle East. Countries in North America can easily be ordered via the online title *Tax Explorer – Country Select*, which enables you to choose the exact countries for which you need coverage on the essentials on international tax. It also offers the possibility to extend this with the very detailed Country Analyses on major economies like Canada and the United States.

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Albania

This chapter is based on information available up to 26 January 2022.

Abbreviations

Abbreviation	English definition	Albanian definition
ITL	Income Tax Law	Ligji "Tatimi mbi te ardhurat"
LTSL	Law on Local Taxes System	Ligji "Per sistemin e taksave vendore"
SSL	Law on Social Security	Ligji "Per sigurimet shoqerore"
TRUL	Law on the Right of the Privatization of Public Land on Use and on the Tax for the Right to Use It	Ligji "Per te drejten e privatizimit te truallit shteteror ne perdorim dhe per taksen mbi te drejten e perdorimit te tij"
VATL	Value Added Tax Law	Ligji "Per tatimin mbi vleren e shtuar ne Republiken e Shqiperise"

Introduction

The only tax on corporate profits in Albania is the profit tax. Employers must pay social security and health contributions. No net worth tax is imposed, but a property tax is levied annually on the owners of agricultural land, construction land or buildings. A VAT system is in operation.

The Central Tax Administration Office (*Administrata Tatimore Qendrore*) is responsible for the administration and collection of taxes.

The jurisdiction for tax purposes (except for local taxes) is the territory of Albania.

Local taxes are imposed and collected by local municipalities (through their local tax units).

The currency is the Albanian lek (ALL).

1. Corporate Income Tax

1.1. Type of tax system

The Albanian corporate income tax (profit tax) system is a classical tax system according to which corporate profits are fully taxed and the distributed profits are taxed again in the hands of the recipient by way of a final withholding tax if the recipient is not a tax-registered person. A tax-registered person is a person who is registered in Albania for (simplified) profit tax purposes and files their own tax return. However, profit distributions to resident corporate shareholders are exempt from both profit tax and withholding tax (*see* section 2.2.).

1.2. Taxable persons

Profit tax is imposed on all resident legal entities, and on any other person regardless of its legal form if its annual turnover exceeds ALL 8 million (article 16 of the ITL). Partnerships are not transparent for tax purposes; they are subject to profit tax at the level of the partnership, and the

partners' profit shares are subject to withholding tax (unless the recipient is a tax-registered person, *see* section 1.1.). In the following text, the term "company" is used to refer to all entities subject to profit tax, unless indicated otherwise. Returns, including capital income, derived from investments with the pension funds' assets, are not taxable. Investment funds are, in principle, subject to profit tax.

Non-resident companies (and permanent establishments thereof), as well as partnerships may also be subject to profit tax (*see* section 6.2.).

1.2.1. Residence

A company is considered a resident of Albania if it has its legal seat or place of effective management in Albania (article 3 of the ITL).

1.3. Taxable income

1.3.1. General

Resident companies are subject to profit tax on their worldwide income (article 17 of the ITL), while non-resident companies are subject to profit tax only on the income generated in Albania. Taxable profit is the difference between gross profits and related expenses. Income and expenses are accounted for on an accruals basis. The determination of the taxable profit is based on the profits shown on the financial statements, which must be kept and maintained in Albanian currency and in the Albanian language, in accordance with the Accounting Law and the national accounting standards, or the International Financial Reporting Standards, if certain criteria are met. The tax computation generally follows the commercial accounts quite closely.

1.3.2. Exempt income

Domestic and foreign-source dividends and profit shares of partnerships received by resident entities are the only important items of tax-exempt income (article 26 of the ITL).

1.3.3. Deductions

Deductible expenses are those incurred in earning, securing and maintaining profits (article 20 of the ITL). They include the remuneration paid to employees and the mandatory social security and health insurance charges (*see* section 4.2.) connected therewith, but only if such payments are made through the banking system. In addition, voluntary life and health insurance premiums, as well as private pension premiums (up to the annual amount of ALL 250,000 per employee) paid by the employers for their employees are deductible.

Interest and royalties paid at arm's length are also deductible, as are overhead expenses and management fees. Representation and reception costs are deductible up to 0.3% of the annual turnover. Scholarships granted by educational institutions are deductible (under conditions).

For limitations on the deductibility of interest expenses, *see* section 7.3.

Expenses incurred for participation in fairs or expositions abroad, incurred by "exporting" taxpayers, are recognized as deductible tax expenses up to 3% of the annual turnover. To benefit from this rule, the taxpayer should have generated more than 70% of their income from export sales during the last 3 years. Manufacturers working under the inward processing regime do not qualify as exporters for purposes of this provision.

Furthermore, subject to the Law on Sponsorship (Law 7892 of 21 December 1994), sponsorship costs are deductible up to 3% of the profits before tax (5% for press publishers and for artistic, cultural and sporting events).

Legal entities with a taxable profit in excess of ALL 100 million who sponsor sports teams that are members of recognized sports federations may deduct an amount equal to three times the sponsored amount from their taxable income. The deduction may, however, not be carried forward to future tax periods. Also, the sponsorship amount may not exceed the limits set in the Law on Sponsorship (*see* above). To benefit from the deduction, the sponsor must obtain a "sponsorship authorization" from the General Tax Director according to the procedures as detailed in the instruction of the Minister of Finance.

Non-deductible expenses include (article 21 of the ITL):

- damage and waste related to production, transportation and storage in excess of the rates determined by a decision of Council of Ministers;
- dividends;
- the cost of acquisition and improvement of land (capitalized);
- the cost of benefits in kind given to employees (tax free for the recipient);
- interest in excess of the annual average interbank interest rate;

- the profit tax itself;
- penalties and fines;
- expenses in respect of technical, consulting and management services provided by third parties for which no withholding tax was paid in the relevant tax year;
- gifts;
- salaries and other remuneration related to employment that are not paid through the banking system;
- personal consumption expenses;
- any cash payment for a sale or purchase transaction that exceeds ALL 150,000 per transaction;
- per diem expenses exceeding 50% of the amount of annual gross wages; and
- donations in response to natural disasters, either in the form of cash (transferred to the relevant state budget account) or immovable property, for the amount exceeding 5% of the profit before tax.

1.3.4. Depreciation and amortization

The legal owner is entitled to the depreciation allowances (article 22 of the ITL). In the case of finance leasing, depreciation may be claimed by the lessee, being the person who bears the risk of the loss or destruction of the asset. Depreciation is not compulsory.

The straight-line method of depreciation is used only for intangible assets (at the rate of 15%).

Tangible assets are divided in three major groups (article 22 of the ITL):

- (1) buildings, structures and machinery with a long useful life are depreciated individually, using the declining-balance depreciation method at the rate of 5%;
- (2) computers, software products and information systems are depreciated using the declining-balance method at the rate of 25% on a pooled basis; and
- (3) other assets are depreciated using the declining-balance method at the rate of 20% on a pooled basis.

If the residual value of buildings, other structures and machinery at the beginning of the tax period is:

- lower than 3% of the historic cost; and/or
- lower than 10% of the historical cost (for category 2 and 3 assets only),

the residual or net book value of such assets may be expensed in that period.

Non-depreciable assets include land, fine art, antiques and jewellery.

Revaluations and impairments of tangible and intangible fixed assets are not recognized for tax purposes.

Upon disposal of an asset, the difference between the sales price and the written down tax value will be recorded in the ordinary income/expense.

1.3.5. Reserves and provisions

Only allocations to special reserves by insurance companies and provisions by banks are considered to be tax deductible expenses provided that they are created pursuant to the IFRS rules, and the external auditors have issued an unqualified opinion on them (article 25 of ITL).

1.4. Capital gains

Capital gains from the sale of a company's fixed business assets are taxed as part of the company's ordinary business income. There are no rules on rollover relief.

In relation to capital gains derived from sales of shares, the taxation of the gain is shifted from the seller of shares to the entity the shares in which are being transferred if the following conditions are met:

- during a taxable period (1 year) the direct and/or indirect ownership of stock capital or voting rights of a legal entity changes by more than 20% in value or number;
- the average annual turnover in the last 3 years of this entity exceeds ALL 500 million; and
- no tax treaty is in force between Albania and the country of residence of the seller of shares (if present, the provisions of the tax treaty prevail).

When the above conditions are met, the entity is deemed to have disposed of a proportional part of all its assets immediately before the change ("deemed disposal"). The entity is treated as:

- having received sales proceeds from the deemed disposal equal to the proportional part of the market value of the assets at that time; and
- having subsequently reacquired the assets for that same amount.

Taxation of capital gains as above is applicable irrespective of (i) whether the shares' value derives directly or indirectly from immovable property or the right to exploit natural resources situated in Albania; and (ii) the residence status of the seller of shares. When the entity pays profit tax because of a deemed disposal as outlined above, the seller of those shares is exempt from profit tax (hence, in the case of an indirect transfer of assets by a non-resident entity, the tax shall be paid by the Albanian entity whose shares are being sold – through the deemed disposal exercise – rather than by the seller of the shares).

In all other cases (i.e. when the conditions regarding the annual turnover and the limit of 20% share transfer are not fulfilled), a non-resident seller of the shares pays taxes in Albania only in the case of change of ownership of the share capital of a legal entity, either directly or indirectly, provided that more than 50% of the value of such shares, at any time for 365 days preceding the transfer, derives directly or indirectly from immovable property, or the right to exploit natural resources, situated in Albania (subject to the provisions of a tax treaty). When the seller of shares is an Albanian resident entity and the deemed disposal scheme is not applicable, the income from the sale of shares is treated as ordinary income.

1.5. Losses

1.5.1. Ordinary losses

Losses may be carried forward for 3 consecutive years (article 27 of the ITL). If during the tax year more than 50% of direct or indirect ownership of the share capital or voting rights of the company is transferred, losses may not be carried forward. No carry-back is allowed.

Exceptionally, from the 2020 tax year, taxpayers that invest in business projects with a value of more than ALL 1 billion, have the right to carry forward losses to the following 5 tax years (on a "first loss before last" basis).

1.5.2. Capital losses

Because capital gains are taxed as part of the company's ordinary business income (see section 1.4.), the rules on ordinary losses apply also to capital losses.

1.6. Rates

1.6.1. Income and capital gains

The profit tax is levied at a rate of 0% or 15% depending on the taxpayer's total annual income (article 28 of the ITL). A reduced rate of 5% is provided for specific activities (see section 1.7.).

Taxpayers with a total annual income up to ALL 14 million are subject to a rate of 0%, while those whose total annual income exceeds this amount are subject to a rate of 15%.

1.6.2. Withholding taxes on domestic payments

Payments made to resident companies are not subject to withholding tax (article 33 of the ITL). For withholding tax on payments to non-residents, see section 6.3.

1.7. Incentives

1.7.1. Free zone

A company that is a user of a technological industrial development zone is subject to a profit tax reduced by 50% for a period of 5 years from the day of commencement of its activities in the zone.

A tax deduction of 20% of a company's annual capital expenses, in addition to the standard depreciation, is available for a period of 2 years from the day of commencement of its activities in the zone.

1.7.2. Tourism

Accommodation facilities falling under the category of "four and five-star hotels with special status" are exempt from profit tax for a period of 10 years from the day of commencement of their activity. The incentive is available to accommodation facilities that obtain "four and five-star hotels with special status" before 31 December 2024.

In order to obtain this special status, a minimum of EUR 8 million must be invested in a four-star hotel, and a minimum of EUR 15 million must be invested into a five-star accommodation facility.

In addition, a profit tax rate of 5% applies to entities that are classified as "certified agritourism entity" by 31 December 2021. This rate is applicable for a period of 10 years, from the year following the one in which the entity is certified as such.

1.7.3. Information technology

A reduced profit tax rate of 5% applies to companies producing or developing software.

1.7.4. Automotive industry

A reduced profit tax rate of 5% applies to companies engaged in the automotive industry. Specifications (e.g. criteria and procedures) relating to this reduced rate are provided by the Albanian Council of Ministers.

1.8. Administration

1.8.1. Taxable period

The tax year is the calendar year (article 5 of the ITL).

1.8.2. Tax returns and assessment

A self-assessment system applies. The profit tax return is due by 31 March of the year following the tax year (article 29 of the ITL). The tax is computed under the self-assessment system.

1.8.3. Payment of tax

The payment of the final tax liability is due upon submission of the tax return (article 29(2) of the ITL).

Taxpayers may opt to make monthly or quarterly advance payments of tax (article 30 of the ITL).

The payments for each month from January to March are equal to one twelfth of the profit tax due in the year before the previous one (i.e. tax year 2020 for 2022). If the taxpayer opts for quarterly payments, each payment is equal to three twelfths of the profit tax due in the year before the previous one. The payments for each remaining month are equal to one twelfth of the profit tax paid in the preceding tax year (i.e. tax year 2021 for 2022). For taxpayers first registered during the previous tax period, the payment of tax is based on the amount of the profit tax of that year, divided by the number of months of activity performed in that year.

Failure to pay the profit tax instalments as per the above calculation is subject to a fine equal to 10% of the instalment amount.

If the taxpayer requests a reduction of the tax prepayments and the tax authorities approve that request, the taxpayer has to pay 5% interest for late payment on the difference between the amount of annual profit tax due and the amount of profit tax prepayments made during the year if the difference is more than 10%.

Advance payments of tax are creditable against the final tax liability (article 29 of the ITL). Any excess may be deducted from tax arrears or, on request, from future tax liability, or may be refunded.

The general meeting of shareholders of a company must approve the result of a financial year within the first 6 months of the following year. The company must file with the tax authorities the decision concerning the use of the net profits of the financial year by 31 July of the fol-

lowing year. The company must transfer to the tax authorities the withholding tax due on dividends or profit sharing distributed not later than 20 August, without regard to the date on which the dividends are actually paid to the shareholders.

1.8.4. Rulings

There is no advance ruling system.

2. Transactions between Resident Companies

2.1. Group treatment

There is no group taxation.

2.2. Intercompany dividends

Dividends and profit shares distributed by a resident company or partnership to another resident entity are not included in the taxable income of the recipient, provided that both the distributing entity and the receiving entity are subject to profit tax (article 26 of the ITL). There is no withholding tax on dividends or profit shares paid to resident entities.

For dividends and profit shares paid to non-resident companies, *see* sections 6.2.1. and 6.3.1.

3. Other Taxes on Income

Albania also levies a tax on profits derived from petroleum activities (TPA). The relevant legislation is contained in Law 153/2020 of 17 December 2020 on the fiscal regime in the hydrocarbon sector (*Ligj nr. 153/2020 – Për regjimin fiskal në sektorin hidrokarbur*). Subject to the TPA are legal entities that carry on authorized onshore petroleum operations. It may be applied also to subcontractors of such activities (under certain circumstances). Profits derived from petroleum operations are taxed at a rate of 50% (the general profit tax rate is 15%). Where an entity derives profits from both petroleum and non-petroleum activities, it must determine the revenue – as well as the related expenses – of each category separately.

The TPA applies to each petroleum right separately, i.e. the revenues (and expenses) of all operations relating to a single right are aggregated and subsequently taxed.

The TPA is levied on the revenue from the operation(s) reduced by expenses and carried forward losses. The amount of the expenses and losses cannot, however, exceed 85% of the income, meaning that in each period at least 15% of the income is taxable. Where the expenses and losses exceed 85% of the revenues, the excess may be carried forward (indefinitely). Losses incurred on petroleum operations cannot be set off against profits from non-petroleum operations (and vice versa).

Revenues include, *inter alia*, the fair market value of the petroleum sold, proceeds from disposals of assets used for the operations and insurance proceeds. Expenses that may not be deducted include depreciation, interest, and costs of acquiring/managing the petroleum right.

The TPA return must be filed – for each petroleum right separately – by 31 March of the following year.

The TPA is not deductible nor creditable.

4. Taxes on Payroll

4.1. Payroll tax

There is no payroll tax.

4.2. Social security contributions

Employers must make social security and health contributions for their employees at a rate of 16.7% (articles 10 and 14 of the SSL). The employer contributions consist of a 15% social insurance contribution and a 1.7% health insurance contribution. With effect from 1 January 2021, the monthly minimum and maximum bases for purposes of calculating of mandatory health insurance contributions are ALL 30,000 (the minimum gross monthly salary) and ALL 132,312. The basis for the calculation of the mandatory health insurance is the gross salary of the insured employee. The minimum gross monthly salary is expected to be increased to ALL 32,000 with effect from 1 July 2022.

Social security and health contributions paid by employers are deductible for tax purposes.

For the social security and health contributions payable by employees and the self-employed, *see* Individual Taxation section 3.

5. Taxes on Capital

5.1. Net worth tax

There is no net worth tax.

5.2. Real estate tax

5.2.1. Tax on property and new constructions

Property tax is levied annually on all residents and non-residents who own or use agricultural land, construction land or buildings in Albania (article 20 of the LTSL), as follows:

- agricultural land is classified into ten groups and taxed at rates varying from ALL 700 to ALL 5,600 per hectare; agricultural land planted with fruit culture or viticulture, may be exempt from the agricultural land tax for 5 years from the moment of planting;
- vacant construction land is subject to property tax at rates ranging from ALL 0.14 per m² up to ALL 0.56 per m² for individuals when used as residence, and ALL 12 per m² up to ALL 20 per m² when used for business purposes, depending on the municipality where the land is located; and
- buildings are taxed based on their market value.

The tax rate is:

- 0.05% of the market value for buildings used as a dwelling;

- 0.2% of the market value for buildings used for economic activity; and
- 30% of the respective tax amount for the entire building, if the developer failed to complete the construction within the deadline set forth in the construction permit.

Buildings owned by the state and municipality, as well as by religious institutions are exempted from this tax.

The tax on buildings is due every month.

The infrastructure tax on construction of new residence or business units varies from 4% to 8% of the sale price of such units.

The infrastructure tax on the other constructions (such as touristic, industrial and public constructions) will continue to be calculated on the value of the investment at the rate of 1% to 3% (except for Tirana, where the rate is 2% to 4%). The local municipality determines the actual rate. For infrastructure projects (e.g. construction of national roads, ports, airports, tunnels, dams and energy infrastructure), including machinery and equipment, the tax is 0.1% of the investment value, but no less than the cost of rehabilitation of damaged infrastructure.

Accommodation facilities falling under the category of a “five-star hotel with special status” are exempt from the infrastructure tax. From 1 January 2019, this exemption also covers entities classified as “certified agritourism entities”, *see* section 1.7.2.

The investment for the reconstruction, repair or restoration of residential buildings, damaged as a consequence of the earthquake are exempted from the payment of the infrastructure tax. The terms, rules and documents that accompany the request for exemption from the payment of the infrastructure tax are defined by the decision of the Council of Ministers. Also exempted from the payment of such tax are the investments within the framework of the reconstruction programmes, according to the provision of the law on the management of natural disasters.

For individuals who are non-tax-registered taxpayers, the property tax is not a tax-deductible expense.

5.2.2. Tax on use of state-owned land

Resident and non-resident companies and individuals that use state-owned construction land are subject to a tax on use of state-owned land (article 4 of the TRUL). The tax is levied at a 10% rate on the value of the land, as determined by the authorities. For taxpayers subject to simplified profit tax or profit tax, the tax is deductible expense.

6. International Aspects

6.1. Resident companies

For the concept of residence, *see* section 1.2.1.

6.1.1. Foreign income and capital gains

Resident companies are subject to profit tax on their worldwide income. Foreign-source business income,

including capital gains, and income from immovable property is fully taxable. Foreign interest and royalties are also fully taxable. Foreign-source dividends are exempt from profit tax. The rules applicable to domestic income are also applicable to foreign income (*see* section 1.3.3. onwards), and the same rates apply (*see* section 1.6.).

6.1.2. Foreign losses

There are no special rules regarding foreign losses. They are treated in the same manner as domestic losses (*see* section 1.5.).

6.1.3. Foreign capital

There is no net worth tax. Foreign-situs immovable property is not subject to real estate tax in Albania.

6.1.4. Double taxation relief

Double taxation relief may be obtained either unilaterally or under a tax treaty. Treaty relief is optional. Unilaterally, an ordinary credit is granted for foreign taxes incurred on foreign-source income (article 37 of the ITL). The credit is calculated on a per-country basis. Any excess credit may be carried forward.

For a list of tax treaties in force, *see* section 6.3.5.

6.2. Non-resident companies

For the concept of residence, *see* section 1.2.1.

6.2.1. Taxes on income and capital gains

Income from business activities is subject to tax if the activities are carried on in Albania through a permanent establishment (article 2 of the ITL). The term "permanent establishment" is defined in the legislation in terms generally comparable with the OECD Model Convention.

In addition, the following Albanian-source income is taxable (article 4 of the ITL):

- (1) income from the ownership or alienation of any property, attributable to a permanent establishment;
- (2) income, including capital gains, from immovable property located in Albania;
- (3) dividends distributed by resident companies and profit shares distributed by resident partnerships;
- (4) interest, royalties and licence fees paid by any resident of Albania, by the government or local authorities of Albania, or by a non-resident through an Albanian permanent establishment; and
- (5) (i) technical service fees and management fees and (ii) payments for construction, installation, assembly or related supervisory work when paid by any resident of Albania, by the government or local authorities of Albania, or by a non-resident through an Albanian permanent establishment.

Regarding income attributable to a permanent establishment in Albania and items (1) and (2) above, non-resident companies are taxed by assessment at the same rate of profit tax as resident taxpayers (*see* section 1.6.1.). Other

types of income are generally taxed by way of final withholding, *see* section 6.3.

In the case of an indirect transfer of assets by a non-resident entity, the tax shall be paid by the Albanian entity whose shares are being sold – through the deemed disposal exercise – rather than by the seller of the shares, *see* section 1.4.

6.2.2. Taxes on capital

There is no net worth tax. Non-resident companies are subject to real estate tax on their immovable property located in Albania and to tax on use of state-owned land.

6.2.3. Administration

Non-resident companies are taxed by assessment with respect to income attributable to their permanent establishment in Albania and income from immovable property located in Albania. For details on assessment, *see* section 1.8. For withholding taxes, *see* section 6.3.

6.3. Withholding taxes on payments to non-resident companies

6.3.1. Dividends

Dividends and profit shares of partnerships paid to non-resident companies are subject to a final withholding tax on the gross amount at the rate of 8% (article 33 of the ITL), unless a treaty provides for a lower rate (*see* section 6.3.5.).

6.3.2. Interest

Interest paid to non-resident companies is subject to a final withholding tax on the gross amount at the rate of 15% (article 33 of the ITL), unless a treaty provides for a lower rate (*see* section 6.3.5.).

6.3.3. Royalties

Royalties paid to non-resident companies are subject to a final withholding tax on the gross amount at the rate of 15% (article 33 of the ITL), unless a treaty provides for a lower rate (*see* section 6.3.5.).

6.3.4. Other

A final withholding tax of 15% is levied on the gross amount of (article 33 of the ITL):

- technical service fees, management fees, insurance fees and payments for financial services;
- payments for construction, installation, assembly or related supervisory work;
- rental payments; and
- payments for performance of entertainment activities.

However, the withholding tax does not apply if payments are made to a tax-registered entity in Albania.

6.3.5. Withholding tax rates chart

This table provides the treaty withholding tax rates for dividend, interest and royalty. The corresponding domestic rates are also specified.

	Dividends		Interest ¹	Royalties
	Individuals, companies	Qualifying companies ²		
	(%)	(%)	(%)	(%)
Domestic Rates				
<i>Companies:</i>	8	8	15	15
<i>Individuals:</i>	8	n/a	15	15
Treaty Rates				
<i>Treaty With:</i>				
Austria	15	5	5	5
Belgium	15	5	5	5
Bosnia and Herzegovina	10	5	10	10
Bulgaria	15	5	10	10
China (People's Rep.)	10	10	10	10
Croatia	10	10	10	10
Czech Republic	15	5	5	10
Egypt	10	10	10	10
Estonia	10	5 ³	5	5
France	15	5	10	5
Germany	15	5	5	5
Greece	5	5	5	5
Hungary	10	5	0	5
Iceland	10	5	10	10
India	10	10	10	10
Ireland	10	5	7	7
Italy	10	10	5	5
Korea (Rep.)	10	5	10	10
Kosovo	8	5	10	10
Kuwait	0/10 ⁴	0/5 ⁵	10	10
Latvia	10	5	5/10 ⁶	5
Malaysia	15	5	10	10
Malta	15	5	5	5
Moldova	10	5	5	10
Montenegro ⁷	15	5	10	10
Netherlands	15	0/5 ⁸	5/10 ⁹	10
North Macedonia	10	10	10	10
Norway	15	5	10	10
Poland	10	5	10	5
Qatar	0/5 ¹⁰	0/5 ¹⁰	5	6
Romania	15	10	10	15
Russia	10	10	10	10
Saudi Arabia	5	5	6	5/8 ¹¹
Serbia ⁷	15	5	10	10
Singapore	5	5	5	5
Slovenia	10	5	7	7
Spain	10	0/5 ¹²	6	0

	Dividends		Interest ¹	Royalties
	Individuals, companies	Qualifying companies ²		
	(%)	(%)	(%)	(%)
Sweden	15	5	5	5
Switzerland	15	5	0/5 ¹³	5 ¹⁴
Turkey	15	5	10	10
United Arab Emirates	0/10 ¹⁵	0/5 ¹⁶	0	5
United Kingdom	10	5/15 ¹⁷	0/6 ¹³	0

- Many treaties grant an exemption for certain types of interest, e.g. interest paid to or by the state, local authorities, the central bank, export credit institutions or in relation to sales on credit. Such exemptions are not considered in this column.
- Unless stated otherwise, the reduced treaty rates given in this column generally apply if the recipient company holds directly or indirectly at least 25% of the capital or of the voting power, as the case may be, of the company distributing dividends.
- The lower rate applies if the Estonian company owns directly at least 10% of the capital in the Albanian company.
- The 0% rate applies if the beneficial owner is a contracting state, government institution or any entity being a resident of the other contracting state under the provisions of Article 4(2)(a-c) of the Albania-Kuwait treaty. The 10% rate applies in all other cases.
- The 0% rate applies if the beneficial owner is a contracting state, government institution or any entity being a resident of the other contracting state under the provisions of Article 4(2)(a-c) of the Albania-Kuwait treaty. The 5% rate applies where there is a holding of at least 10%.
- The lower rate applies to interest on bank loans.
- The treaty concluded with the former Serbia and Montenegro.
- The zero rate applies if the Netherlands company owns at least 50% of the capital in the Albanian company and has invested in it more than USD 250,000.
- The lower rate applies to interest paid on a loan granted by a bank or other financial institution.
- Exemptions apply to certain listed state-owned entities.
- The lower rate applies to royalties that are paid for the use of, or the right to use industrial, commercial or scientific equipment.
- The 5% rate applies if the Spanish company holds directly at least 10% of the capital of the Albanian company, and the zero rate applies if the Spanish company holds directly at least 75% of the capital of the Albanian company.
- The 0% rate applies if the interest is paid to a pension scheme.
- A most favoured nation clause (introduced by 2015 amending protocol) may be applicable with respect to royalties.
- The 0% rate applies if the beneficial owner is a contracting state, government institution or any entity being a resident of the other contracting state under the provisions of Article 4(2)(a-c) of the Albania-United Arab Emirates treaty. The 10% rate applies in all other cases.
- The 0% rate applies if the beneficial owner is a contracting state, government institution or any entity being a resident of the other contracting state under the provisions of Article 4(2)(a-b) of the Albania-United Arab Emirates treaty. The 5% rate applies where there is a holding of at least 10%.
- The 5% rate applies if the beneficial owner is (i) a company that controls, directly or indirectly, at least 25% of the capital in the company paying the dividends; or (ii) a pension scheme. The 15% rate applies if the dividends are paid, by an investment vehicle, out of income (including gains) derived directly or indirectly from immovable property (under conditions).

7. Anti-Avoidance

7.1. General

There is no general anti-avoidance provision.

7.2. Transfer pricing

The rules on transfer pricing are based on the OECD Transfer Pricing Guidelines 2010. However, in case of conflict between the OECD guidelines and the provisions of Albanian legislation, the latter prevail.

Subject to the transfer pricing rules are persons engaging in controlled transactions with related parties (article 2 of the ITL). Persons are considered related if:

- one of the persons participates directly or indirectly in the management, control or capital of the other person; or
- the same person(s) participates directly or indirectly in the management, control or capital of both persons.

Persons are deemed to participate directly or indirectly in the management, control or capital of another person if they directly or indirectly own 50% or more of the share capital or voting rights of that other person (article 2 of the ITL).

Controlled transactions are transactions between an Albanian resident or an Albanian permanent establishment of a non-resident and a non-resident or foreign permanent establishment of an Albanian resident (i.e. only cross-border transactions fall within the scope of the transfer pricing rules). Transactions with a resident of a listed tax haven country are also covered by the rules, whether they are related or not (article 36 of the ITL).

The new rules also stipulate the methods that the taxpayer may use when performing a controlled transaction, depending on the specifics of the transaction. The methods (article 36 of the ITL) mentioned are:

- the comparable uncontrolled price method;
- the resale price method;
- the cost plus method;
- the transactional net margin method; and
- the profit split method.

The method chosen by the taxpayer depends on, and should take into account, the circumstances of the transaction. The taxpayer may choose another transfer pricing method, if it shows that none of the methods listed in the legislation can be used in a reasonable way to apply the market principles for controlled transactions.

Taxpayers performing controlled transactions which exceed ALL 50 million (approximately EUR 410,000) should present to the tax authorities an Annual Controlled Transactions Declaration.

In addition, in case the tax authorities of a country with which Albania has signed a double tax treaty make a transfer pricing adjustment that results in the taxation of the profit for which the taxpayer has already been taxed in Albania, the Albanian taxpayer may submit a written request to the General Tax Directorate on the respective adjustment to be made to the profit tax in Albania. The requested transfer pricing adjustments may be fully or

partially refused or granted within 3 months of the date of submission of the request by the taxpayer.

7.3. Limitations on interest deductibility

The thin capitalization rules limit the deduction for interest paid on a loan to the portion of interest paid on the loan not exceeding four times the company's net assets (i.e. debt/equity ratio of 4:1) (article 21 of the ITL). The rules apply to all loans taken, except for short-term loans (less than 1 year).

In the case of loans and funding from related parties, the "net interest expense" is considered deductible up to 30% of EBITDA. Net interest expense means the interest expense less the interest income, within the tax period. The taxpayer has the right to carry forward the non-deducted part of the interest and claim its tax deductibility in the following periods, except when the taxpayer's ownership has changed by more than 50%. This thin capitalization does not apply to banks, non-bank credit financial institutions, insurance and financial leasing companies.

7.4. Controlled foreign company

There is no CFC legislation.

8. Value Added Tax

8.1. General

Albania applies a VAT system under which tax is levied at each stage of the supply of goods and services (article 1 of the VATL). The VAT law broadly reflects the EU VAT Directive (2006/112).

8.2. Taxable persons

A taxable person is any person who, independently, carries out in any place any economic activity, whatever the purpose or result of that activity is (article 3 of the VATL).

Any person making taxable supplies and having an annual turnover in excess of ALL 10 million and/or intending to import goods is required to register; voluntary registration is also possible for any person with an annual turnover in excess of ALL 5 million.

The above threshold is applicable also for taxpayers executing professions such as lawyers, public notaries, dentists, specialized dentists, pharmacists, nurses, veterinarians, architects, engineers, laboratory technicians, project designers, accountants, agronomists, registered accounting experts, certified accountants and asset appraisers, who were previously required to register for VAT irrespective of their annual turnover.

The threshold also affects agricultural producers, who previously had a minimum turnover for VAT registration of ALL 5 million.

8.3. Taxable events

Taxable transactions include the supply of goods and services in Albania by a taxable person, as well as the importation of goods to Albania by any person (article 2 of the VATL). Also, the following transactions are taxable:

- transactions for no consideration or for a consideration less than the market value;
- barter transactions; and
- the private use of taxable goods by a taxable person (self-supply).

8.4. Taxable amount

The taxable amount for goods and services (other than the transactions between related parties, self-supplies and barter transactions) includes all consideration (to be received by the supplier, in return for the supply, from the customer or a third party, including subsidies directly linked to the price of the supply (article 39 of the VATL).

The taxable amount for the transaction between the related parties, self-supplies and barter transactions is the open market value (i.e. arm's length consideration).

The taxable amount includes taxes, duties, levies and charges, excluding VAT itself, as well as incidental expenses such as commission, packing, transport and insurance costs charged by the supplier to the customer (article 39 of the VATL).

The taxable amount of the imported goods is the value for customs purposes, which includes taxes, duties, levies and other charges due outside the territory of Albania. Also included are incidental expenses, such as commission, packing, transport and insurance costs incurred up to the entry of the goods into the customs territory of Albania.

8.5. Rates

The standard rate of VAT is 20% (article 48 of the VATL).

The law provides that the following supplies are zero rated (article 57-62 of the VATL):

- exports;
- inward processing activity allowing the deduction of the relevant input VAT;
- supply of goods destined to be transported in personal luggage of passengers travelling outside Albania;
- supply of gold to the Bank of Albania;
- supply of services by intermediaries where they take part in transactions treated as exports, or in transactions carried out outside Albania; and
- supply of goods for the fuelling and provisioning of vessels used for navigation carrying passengers or used for the purpose of commercial, industrial or fishing activities.

A reduced rate of 6% applies to:

- the supply of accommodation services from all accommodation structures as well as the supply of accommodation and restaurant services offered within "certified agritourism entities". The taxpayer that falls under this category must issue a separate

invoice for the supply of accommodation services, to which the reduced rate of 6% applies, and for the supply of other services, to which the standard VAT rate of 20% applies;

- the supply of all services offered within the accommodation facilities falling under the category of a "five-star hotel with special status";
- the supply of construction works related to investments (i) by the state in sports clubs and federations and (ii) by private entities in sporting infrastructure;
- the supply of advertising services from audio-visual media;
- the supply of books; and
- the supply of electric vehicles used for public transport (having more than nine seats).

A reduced rate of 10% applies to the supply of seeds, fertilizers and agrochemicals.

8.6. Exemptions

Important exemptions include certain activities in the public interest including, inter alia (article 51 of the VATL):

- the supplies by the public postal services;
- the supply of medicinal products and active implantable medical devices;
- the supply of human organs, blood and milk;
- the supply of services by dental technicians;
- the provision of children's or young people's education, school or university education including the supply of services and of goods closely related thereto, private tuition given by teachers and covering school and university education;
- the supply of certain services closely linked to sport or physical education;
- the supply of certain cultural services and the supply of goods closely linked thereto;
- the supply of transport services for sick or injured persons and the activities, other than those of a commercial nature, carried out by public radio and television bodies;
- the supply of certain agricultural machineries;
- the supply of veterinary services (except for veterinary services for pets); and
- the import of raw materials used for the production of authorized medicines.

Also exempt are other activities such as (article 53 of the VATL):

- insurance and reinsurance transactions;
- financial services;
- the supply of a building or parts thereof, unless the taxpayer opts for taxability and of the land on which it stands;
- the supply of land;
- the leasing of immovable properties unless the taxpayer opts for taxability (except for hotels and in those cases where the lease period does not exceed 2 months);
- the supply of services rendered by contractors and their subcontractors related to the exploration phase of hydrocarbon operations and import of goods during the exploration phase, when attested as such by National Agency of Natural Resources;
- the supply of ID cards;

- the supply of newspapers, magazines and newspaper printing services;
- the supply of advertising in written media;
- the supplies of services relating to gambling activities, betting and lotteries; and
- the supply of new electric vehicles (that have only electric motors, excluding vehicles used for public transport having more than nine seats) and that are not registered in any other state (including import or local supplies).

As an exceptional rule, the supply of construction services for construction of buildings destroyed from the earthquake shall be VAT exempt during the rebuilding process. The same exemption is granted to direct suppliers of constructors for services and goods acquired during the said process. The exemption should be authorized by the General Tax Director. The procedure is determined upon the decision of the Council of Ministers and the General Tax Director reviews the application for obtaining the authorization for exemption within 5 days from the filing of complete documents.

8.7. Non-residents

Non-resident persons engaged in taxable transactions in Albania are taxable in the same manner as residents and are subject to the same VAT registration requirements (article 2 of the VATL).

The reverse charge mechanism may be applied by the Albanian taxable person who receives the supply of services or goods carried out by the foreign supplier who is not registered in Albania.

9. Miscellaneous Taxes

9.1. Capital duty

There is no capital duty or similar duty on the formation and expansion of capital of companies.

9.2. Transfer tax

9.2.1. Immovable property

A tax is levied upon the transfer of Albanian-situs immovable property by tax-registered persons whether Albanian or foreign (article 28 of the LTSL).

Taxable transfers include the sale and donation. In the case of a sale, the taxable base is the gross proceeds real-

ized; in the case of a donation, it is the value of the property as assessed by the immovable property registration office. No deductions are allowed.

The seller and the donor are the persons liable for the tax. The tax is calculated as a fixed amount per m² for buildings (ALL 1,000 for residential buildings; ALL 2,000 for commercial buildings in Tirana and Durres; ALL 1,500 for other buildings; less for other cities) and as a percentage (2%) of the taxable base for other immovable property.

9.2.2. Shares, bonds and other securities

There is no transfer tax on securities.

9.3. Stamp duty

There are no stamp duties.

9.4. Customs duty

Customs duties are payable on certain goods imported into Albania. Among the goods subject to customs duty are cocoa, coffee and tea, metals and mineral fuels.

Exemptions apply to:

- goods imported under government agreements and where the duty exemption is explicitly stated in the agreement;
- certain imports for contractors in the oil exploration sector;
- humanitarian aid;
- donated goods imported for charitable, philanthropic, or aid purposes by not-for-profit organizations, religious institutions or public entities; and
- goods imported for trade promotion purposes and advertising.

Pursuant to the Stabilization and Association Agreement between the European Union and Albania, customs duties for products originating from EU Member States are eliminated.

9.5. Excise duty

Excise duties are payable on certain goods imported into or produced in Albania, including coffee, cigarettes, beer, wine, alcohol, tobacco (products) and petroleum by-products (Excise Law 61/2012).

1.3. Taxable income

1.3.1. General

The corporate income tax is based on the territoriality principle (source principle), whereby tax is only due on business income derived from activities performed, property situated, or economic rights used, in Bolivia, regardless of the nationality, domicile or residence of those who take part in the operations. Accordingly, business income realized through companies operating outside Bolivia is not taken into account for Bolivian tax purposes, nor are losses pertaining to such companies.

Accordingly, the following income is subject to corporate income tax:

- income derived from assets located or used economically in Bolivia; and
- income derived from any income-generating act or activity carried out in Bolivia.

All types of business income fall under one umbrella category. Corporate tax is levied on the aggregate net income of various sources of business income, including capital gains as defined in section 1.4.

The computation of taxable income is based on the profit and loss account determined according to the GAAP, on an accrual basis, taking into consideration any tax adjustments that must be made in accordance with Law 843 and its corresponding Supreme Decrees and related norms.

Domestic dividends are exempt from income tax (*see* section 2.2.).

1.3.2. Exempt income

The following items are excluded from taxation:

- profits resulting from a business reorganization subject to certain conditions;
- foreign-source income;
- dividends received by corporate income taxpayers; and
- capital gains from revaluation procedures established by the authority (*see* section 1.4.).

Interest related to loans from international organizations and foreign official institutions are tax exempt, provided that the National Congress has ratified their agreements (article 49 of Law 843).

The National Budget for 2022 (Law 1413 of 17 December 2021) established that:

- interest paid to creditors of public debt issued by security titles at foreign capital markets is exempt from corporate income tax; and
- payments made for legal, financial, and specialized services related to the issuance of public debt at foreign capital markets are exempt from corporate income tax (article 11 of Law 1356).

1.3.3. Deductions

For corporate income tax purposes, deductible expenses are those qualifying as “necessary” for obtaining taxable income or maintaining and preserving the source of that income. In general, “necessary” expenses include expenses that are compulsory, whether for legal or con-

tractual reasons (e.g. social security contributions and taxes other than the income tax), as well as those expenses incurred, both in Bolivia and abroad, that are effectively connected with a taxable activity.

Business expenses that are non-deductible may trigger individual taxation, insofar as they may be deemed to be part of the remuneration of an individual.

1.3.3.1. Deductible expenses

Deductible items include business expenses, depreciation, rental payments for the leasing of movable and immovable property, royalty payments for the use or the right to use intangibles (e.g. copyright, patents, trademarks and secret formulae), interest payments, management fees, overhead expenses, state and local taxes, charitable contributions under certain circumstances, foreign exchange losses, losses that are not compensated for by insurance, or otherwise (article 47 of Law 843, articles 6, 7 and 8 of Supreme Decree 24051).

Payments or acquisition of goods or services exceeding BOB 50,000 must be documented with “reliable means of payment”, i.e. means of payment recognized by the Bolivian financial system and regulated by the Financial System Supervisory Authority (checks, electronic transfer orders, debit and credit cards, among others).

Failure to comply with these requirements denies the possibility to deduct purchases or expenses. Such requirements also apply for the determination of the VAT due (article 66, numeral 11 of Law 2492, article 37 of Supreme Decree 27310, Regulatory Directory’s Resolution 10-0017-15).

Resolution RND 10-0019-16, approved on 29 June 2016, was issued to indicate the costs that are deductible in the case of international and intra-departmental transportation companies.

In particular cases, tax incentives (*see* section 1.7.) may have an impact on the deductibility of expenses.

1.3.3.2. Non-deductible expenses

Non-deductible items include, amongst others, the income tax itself, penalties and fines and related surcharges, losses incurred in illegal activities, goodwill and gifts, except those to qualifying recipients.

VAT and excise taxes paid by or charged to the taxpayer are deductible only if the taxpayer is not entitled to claim for a tax credit or refund (article 47 of Law 843, article 18 of Supreme Decree 24051).

1.3.4. Depreciation and amortization

Depreciation occasioned by normal wear and tear of assets used in business or activities must be computed at a maximum annual percentage. As a rule, depreciation is calculated under the straight-line method (*see* section 1.7.).

Examples of depreciation rates are:

Asset	Annual rate (%)
Industrial buildings and warehouses	2.5
Intangibles	5

Asset	Annual rate (%)
Office furniture and equipment	10
Computer hardware	25
Aircraft	20
Motor vehicles	20

At the request of the taxpayer, the tax authorities may accept a depreciation method other than the straight-line method, taking into account the useful life of the assets and the type of business.

Start-up expenses may be depreciated, at the taxpayer's election, either in full through an immediate write-off in the first tax year or at a maximum annual rate of 25% over a 4-year period after starting up the business. However, for start-up expenses to be deductible they may not exceed 10% of the company's paid-up capital.

Mining, electric and telecommunications companies are subject to different depreciation rates in accordance with specific legislation applicable to them.

Distributors of cinematographic films exploited under a royalty or similar contract based on their cost may depreciate their film assets at the special rates of 50%, 30% and 20% in the first, second and third year, respectively, of the film release (articles 6, 7, 8 and 22 of Supreme Decree 24051).

Depreciation is not optional, and it must be calculated on all the assets.

In the case of the disposal of assets, the charge is equivalent to the tax written-down value less the disposal value, provided the transaction is made at arm's length.

1.3.5. Reserves and provisions

Allocations to the following types of reserves and provisions are deductible: (i) amounts allocated by insurance companies to their technical reserves, actuarial life insurance reserves and other statutory reserves required by the Bolivian Superintendencia of Pensions, Securities and Insurance (*Superintendencia de Pensiones Valores y Seguros*), currently known as the Pensions and Insurance Supervisory Authority (*Autoridad de Fiscalización y Control de Pensiones y Seguros*, APS), as well as regulatory reserves of financial institutions; (ii) amounts allocated to provisions for labour indemnities in cases of dismissal of employees; (iii) amounts allocated to a provision for duly substantiated and recorded bad debts (*see* section 1.7.); and (iv) amounts allocated to a provision for potential costs resulting from environmental damages caused by the taxpayer's activities.

Allocations to reserves or provisions other than the above are not deductible (article 17 of Supreme Decree 24051).

1.4. Capital gains

Capital gains are taxed as part of corporate income. Capital gains derived from the sale of fixed assets, sale of immovable property and transfer of securities are normally included in gross income and are subject to corporate income tax.

Capital gains exempt from tax are those resulting from revaluation procedures established by the Superintendencia of Pensions, Securities and Insurance currently known as the Pensions and Insurance Supervisory Authority (*Autoridad de Fiscalización y Control de Pensiones y Seguros*, APS), when they involve securities registered with the Stock Exchange Register (RMV) (the exemption is also applicable in respect of their remittance abroad; in addition, these capital gains are also exempt from VAT and the transaction tax) (article 117 of Law 1834, modified by Law 2064). Previously, capital gains resulting from the purchase and sale of securities, performed through stock exchange mechanisms were exempted; however, the National Budget for 2021 (Law 1356 of 29 December 2020) abrogated such exemption.

There is no rollover relief.

1.5. Losses

There is no general rule for losses.

1.5.1. Ordinary losses

Net losses represent the amount by which allowed deductions exceed gross income. In general, net losses include operating losses as well as capital losses.

Losses may be carried forward for 3 tax years, but may not be adjusted for inflationary effects.

Productive hydrocarbons sector and mining companies may carry forward losses for 5 tax years.

Losses incurred by new productive companies registered after 9 September 2011 with a minimum capital of BOB 1 million may be carried forward for 5 years as from the start of operations. New productive companies are considered to be those registered as such at the tax administration after 9 September 2011 (article 4 of RND 101800000005 issued by the Tax Administration).

In the case of a business reorganization (merger, spin-off, etc.), transferred losses may be offset by the successor company within the subsequent 4 tax accounting periods, starting from the date on which the loss transfer took place (articles 28 and 32 of Supreme Decree 24051).

There is no carry-back or carry-across of losses.

For transfer of losses within a group, *see* section 2.1.

For foreign losses, *see* section 6.1.2.

1.5.2. Capital losses

Capital losses resulting from acts of God, force majeure or civil and criminal liabilities by third parties, are deductible only to the extent not covered by insurance or indemnity awards, as long as the taxpayer informs the tax authorities within a 15-day period following the relevant incident (article 23 of Supreme Decree 24051).

1.6. Rates

1.6.1. Income and capital gains

Corporate income tax is levied at the rate of 25%.

A 4% rate applies on gross income derived by agencies and branches of foreign companies whose activities are partially performed in Bolivia (articles 42 and 43 of Supreme Decree 24051).

No special rates apply to capital gains.

As a rule, neither surtaxes nor surcharges apply on corporate income, except with respect to the following taxpayers:

- Mining companies are subject to 25% surtax on corporate profits. In determining the surtax base, the taxpayer may deduct from the taxable base for corporate income tax purposes: (i) the expenses related to qualifying investments made for extracting and processing minerals in the country as well as substantiated environmental protection expenses; and (ii) an amount equal to 45% of the income derived by the enterprise from extractive operations in the current tax year. These allowances are subject to certain limitations.
- Oil companies are subject to 25% surtax on their extraordinary profits. In determining the surtax base, the taxpayer may deduct from the taxable base for corporate income tax purposes: (i) the accumulated investment costs incurred with respect to oil exploration, development, exploitation and refining activities carried out in the country, or substantiated environmental protection expenses directly related with such activities; and (ii) an amount equal to 45% of the sales of oil output. These allowances are subject to certain limitations (article 51 bis of Law 843).

Financial sector companies are subject to 25% additional tax rate on income on their extraordinary profits. This tax is applicable when the profit coefficient with respect to equity is higher than 6% (article 51 ter of Law 843, modified by Law 921 of 2017). The National Budget for 2021 (Law 1356 of 29 December 2020) established that the 25% increased tax rate also applies to financial leasing companies, general deposit companies, investment fund management companies, brokerage agencies and securitization companies, and insurance and reinsurance companies (Additional Disposition 8 of National Budget for 2021 Law 1356).

1.6.2. Withholding taxes on domestic payments

No withholding tax applies on payments made to domestic companies.

For withholding tax rates on payments to non-residents, see section 6.3.

1.7. Incentives

Bolivia grants several incentives to promote economic activities and areas that are considered to be in the interest of the country. Examples of these incentives are:

- manufacturing industries established in the cities of Oruro and Potosi, under certain conditions, may be exempt from tax for a 10-year period (article 1 of Law 876, article 1 of Law 877);
- a depreciation method different to the straight-line method may be allowed whenever applicable to the

type of activity or useful life of the assets. The tax authorities must authorize this new method to be applied by the taxpayer (article 25 of Supreme Decree 24051);

- industrial free zones are exempt from customs duties; and
- sales of tourism packages by Bolivian travel agencies as well as hotel and food services provided to foreign tourists are considered as exportations of services, and hence VAT is levied at a 0% rate (article 30 of Law 292).

On 24 July 2020, the government introduced through Supreme Decree 4298 several tax incentives to alleviate the impact of the COVID-19 pandemic and the subsequent effects of the lockdown measures; however, Supreme Decree 4416 of 9 December 2020 repealed all of them. The following are the incentives introduced and later repealed:

- deductions of donations to public and private hospitals for prevention, diagnosis, control, care, and treatment of COVID-19 patients;
- accelerated depreciation for fixed assets acquired between 1 April until 31 December 2020, for companies other than mining and hydrocarbons companies;
- special provision for bad debts deductions;
- 50% of the social security contributions paid by employers may be regarded as an advance payment made to the Tax Administration against VAT liability; and
- tariffs deferral until 31 December 2020 for the importation of equipment for the food, agri-food, textile, and metallurgical industry.

1.8. Administration

1.8.1. Taxable period

For commercial and service-related companies, including financial services, the tax year coincides with the calendar year. However, with respect to other types of companies the tax year varies, as follows (articles 39 and 40 of Supreme Decree 24051):

- mining companies, from 1 October to 30 September;
- manufacturing and oil companies, from 1 April to 31 March; and
- agriculture and farming companies, from 1 July to 30 June.

1.8.2. Tax returns and assessment

Bolivia uses the self-assessment system, whereby all companies are required to complete a tax return and compute their own liability. The annual tax return must be filed within 120 calendar days following the end of the tax year. Accordingly, the approximate deadlines for filing the corporate income tax return and payment of any amount of tax due are as follows:

- commercial and service-related companies in general, 30 April;
- mining companies, 28 January;
- manufacturing and oil companies, 28 July; and
- agriculture and farming companies, 28 October.

In Resolution 0967/2014, the Constitutional Court ruled that the requirement to pay assessed tax following a tax determination and/or audit (*Resolución de Determinación*) as a precondition to appeal is unconstitutional. Such requirement was contained in article 10.II of Law 212 and was introduced with respect to tax enquires exceeding 15,000 UFV units (*Unidad de Fomento de Vivienda*).

1.8.3. Payment of tax

As a rule, advance payments are not required. The tax liability must be paid by the corporate taxpayer upon filing the annual tax return. In March 2018, an improved electronic filing form was introduced by Normative Resolution 101800000004 (*Aplicativo Contribuyentes*, SIAT), which replaced the previous electronic filling form (*Aplicativo Facilito*).

The amount of corporate income tax effectively paid for the year may be credited against the taxpayer's liability on transactions tax until the balance is exhausted, see section 3.1.

Mining companies (i.e. companies engaged in the exploration for and exploitation of mineral resources) are subject to corporate income tax prepayments each time they export or sell mineral output. The prepayment is equivalent to the amount of mining tax liability; see section 3.2. To that extent, purchasers of minerals are required to withhold the tax at the moment of purchase.

The mining company may credit the amount of corporate income tax prepaid against its annual corporate income tax liability, subject to certain rules (articles 29, 30, 31 and 32 of Supreme Decree 29577).

1.8.4. Rulings

Advance rulings may be requested in writing by both resident and non-resident companies, regarding any type of tax, provided that the request is related to real and concrete tax situations and not to mere hypothetical transactions. For this purpose, companies must provide to the tax authorities a detailed description of the activities engaged in or proposed, the description of the business reasons thereof and the amount of the transaction covered by the petition. Furthermore, the facts and circumstances related to the petition must be disclosed, as well as any related documentary evidence.

The tax authorities must make a decision within a 30-day period from the filing of such petition, which may be extended for a similar period. If the decision is not made within such a period, the taxpayer may consider the request denied. However, the tax authorities may be subject to administrative sanctions in the case of negligent omission to make a timely decision.

Rulings are non-binding. The taxpayer may not appeal against a denied ruling request (articles 115, 116, 117 and 118 of Law 2492, Tax Administration Resolution 101700000019).

2. Transactions between Resident Companies

2.1. Group treatment

Groups of companies may not file consolidated tax returns in Bolivia. Each company of a group files its own corporate income tax return.

It is not possible to transfer losses between group companies.

2.2. Intercompany dividends

Domestic dividends received by a resident company are not subject to income tax in the hands of the recipient and neither are these dividends subject to withholding tax. Dividends received from non-resident corporations (including those paid by a foreign subsidiary to its parent company in Bolivia) are not subject to tax.

A Bolivian enterprise remitting profits to foreign shareholders or partners has to withhold 12.5% tax on the payment (article 34 of Supreme Decree 24051).

3. Other Taxes on Income

3.1. Transactions tax

A transactions tax (*Impuesto a las transacciones*) is levied on gross income derived from business, professional or other economic activities performed in Bolivia as well as the income arising from a gratuitous transfer of property. The transaction tax operates as an alternative minimum tax, since the amount of corporate income tax paid by the taxpayer is creditable against the final transactions tax liability (article 72 of Law 843).

Companies, individuals and sole proprietorships are subject to the transactions tax. With respect to gratuitous transfers (e.g. inheritance or gifts), the taxpayers are the heirs or recipients.

The transactions tax is assessed at a 3% rate on gross income derived in the tax period.

Gross income includes the total amount (including VAT), in cash or in kind, received as consideration for the goods and services supplied, or for the activity performed, as well as interest on loans or financing arrangements and, in general, any compensation relating to transactions carried out by the taxpayer. However, the following items are not included in the taxable base: excise taxes; refunds of expenses made on behalf of third persons; refunds of taxes, customs duties and other reimbursements granted to exporters; bonuses and discounts (article 72 of Law 843).

A tax exemption applies to the following items (article 76 of Law 843):

- dependent personal services;
- exports of goods;
- services supplied by government agencies, excluding public enterprises;
- interest from deposits in savings banks, current accounts and fixed-term deposits;
- private educational centres adopting official learning plans;

- publication and importation of books, journals, periodicals and magazines. This exemption does not cover income from advertising and other income not arising from the sale of the publications referred to above;
- purchase and sale of shares, bonds and securities;
- purchase and sales of minerals, metals, oil and natural gas in the domestic market;
- cession of goods and assets subject to procedures for issuing securities;
- transactions involving the transfer of financing intermediation, insurance, pensions and stock exchange portfolios, whether resulting from sale or cession; and
- transactions of public offer securities registered with the RMV performed in Bolivia and having effect in the national territory.

Any legal entity which performs production activities, presentations and transmission of events produced by Bolivian artists is exempt from transactions tax, when certain requirements are met. Bolivian artists must be registered with the “Plurinational System of Registry of Bolivian Artists”.

Invoices issued for these and all activities must strictly follow the directives in Normative Resolution 1018000026 which provides a new electronic invoicing system for taxpayers (in force as of 1 March 2019 and the implementation of which is scheduled for June 2020).

Taxpayers must self-assess their tax liability on a monthly basis by preparing a return, to be filed together with the payment of the tax liability within 15 days following the end of the month in which the transaction took place.

Taxpayers transferring property, motor vehicles, aircraft, motor vessels, shares and other participating interests in the capital of companies or other property items, as an occasional or non-regular event, must file a tax return and pay the tax due within 10 business days following the date of transfer.

The amount of annual corporate income tax effectively paid may be credited against any future liability on transactions tax until the balance of corporate income tax is totally exhausted.

3.2. Mining tax

Companies undertaking mining activities are subject to the mining royalty (article 225 of Law 535 of Mining and Metallurgy, articles 1 and 2 of Supreme Decree 29577).

The taxable base is the gross value of sales (*valor bruto de venta*), which is defined by the law as the amount resulting from applying the applicable official quotation to the weight of the fine ore or metal content sold. The official quotation is determined by the government every 15 days based on the lowest daily quotation for cash transactions registered on the London Metal Exchange, other international metal exchanges or internationally recognized publications, as determined by the regulations (article 226 of Law 535 of Mining and Metallurgy).

The mining royalty rate varies depending on the type of mineral. The law provides rate tables for various minerals

including gold, silver, zinc, lead, tin, antimony, tungsten (wolfram), copper and iron (*see examples below*) (article 227, numeral 1 of Law 535 of Mining and Metallurgy).

- Gold in natural state and other states as specified by the law:

Official quotation (OQ) for gold per troy ounce (USD)	Rate (%)
Up to 400	4
400 – 700	$0.01 \times \text{OQ}$
Over 700	7

- Gold from marginal deposits and sulphurous minerals requiring high technology for their production:

Official quotation (OQ) for gold per troy ounce (USD)	Rate (%)
Up to 400	3
400 – 700	$0.00667 \times \text{OQ} + 0.333$
Over 700	5

- Silver, as specified by law:

Official quotation (OQ) for silver per troy ounce (USD)	Rate (%)
Up to 4	3
4 – 8	$0.75 \times \text{OQ}$
Over 8	6

- Lead, as specified by law:

Official quotation (OQ) for lead per fine pound (USD)	Rate (%)
Up to 0.30	1
0.30 – 0.60	$13.4 \times \text{OQ} - 3$
Over 0.60	5

- Tin, as specified by law:

Official quotation (OQ) for tin per fine pound (USD)	Rate (%)
Up to 2.5	1
2.5 – 5	$1.6 \times \text{OQ} - 3$
Over 5	5

- Copper, as specified by law:

Official quotation (OQ) for copper per fine pound (USD)	Rate (%)
Up to 0.7	1
0.7 – 2	$3.0769 \times \text{OQ} - 1.1538$
Over 2	5

The mining royalty may be credited against corporate income tax (IUE), provided that the official quotation of the mineral or metal at the time of the mining royalty assessment is lower than the base quotation specified by

the law (*see* table below). Otherwise, both taxes must be paid separately and the mining royalty is a deductible expense for the determination of corporate income tax (article 101 of Law 3787, article 17 of Supreme Decree 29577, Regulation for the Settlement and Payment of Mining Royalty).

The mining royalty liability is assessed and paid in respect of each sale or export transaction, which should be registered by the seller in a special ledger (*ventas brutas* – control RM) that also records whether or not it is creditable. The buyer must deduct the amount of the mining royalty determined by the seller, which should also be registered by the buyer in a special ledger (*compras* – control RM) (article 30 of Supreme Decree 29577, Regulation for the Settlement and Payment of Mining Royalty). The regulations provide for a system of withholding tax for domestic transactions. Before any minerals or metals are exported, the exporter must first pay the mining royalty together with the amounts withheld from his suppliers (article 12 of Supreme Decree 29577, Regulation for the Settlement and Payment of Mining Royalty). In addition, when the official quotation of the mineral is equal to or greater than the base quotation specified by the law (*see* table below), the annual net income of the company, as determined for the purposes of corporate income tax, is subject to an additional tax at 12.5%, paid monthly in advance. The additional tax is not levied on the proportion of income derived from the sale of minerals or metals whose official quotation is lower than that specified by the law (article 101 of Law 3787, article 13 of Supreme Decree 29577, Regulation for the Settlement and Payment of Mining Royalty).

Mineral or metal	Base quotation (USD)
Gold	400 per troy ounce
Silver	5.55 per troy ounce
Zinc	0.53 per fine pound
Lead	0.30 per fine pound
Tin	2.90 per fine pound
Antimony	2.802 per metric ton
Tungsten (wolfram)	80 per 22.4 pounds ("fine long unit")
Copper	1.04 per fine pound
Bismuth	3.50 per fine pound
Iron	340 per metric ton

3.3. Tax on hydrocarbons

Oil companies (i.e. companies engaged in the exploitation of hydrocarbons) must pay a combined 18% royalty (12% departmental royalty and 6% Treasury royalty) on the total oil output calculated at international market prices.

A direct tax on hydrocarbon (*impuesto directo a los hidrocarburos*, IDH) at the rate of 32% is levied on the production of hydrocarbons at wellhead, which is determined at the point of measurement. This tax applies in addition to the 18% royalty. No deductions or credits of other taxes apply in determining the final tax liability.

A tax is levied on hydrocarbons and derivatives (*impuesto especial a los hidrocarburos y sus derivados*, IEHD) traded within Bolivia. According to Resolution 10-0035-15, issued on 24 December 2015 and updated on

17 December 2019 (Tax Administrative Resolution 101900000025), the IEHD applicable to imports and trade in Bolivian territory of hydrocarbons and derivatives is equivalent to BOB 7.96 per litre.

3.4. Gambling and marketing promotions tax

All gambling houses are subject to a 30% tax on their sales income (less VAT). Also, a 10% tax rate applies on raffles and gambling organized with marketing purposes (Law 060). However, the Bolivian Constitutional Tribunal ruled that articles 37 and 38 of Law 060, which establish the taxable base of gambling tax, are unconstitutional (Decision 0095/2017 of 6 December 2017).

3.5. State corporate income tax

No state or local (e.g. municipal) taxes are levied on income.

4. Taxes on Payroll

4.1. Payroll tax

No payroll taxes are levied in Bolivia.

4.2. Social security contributions

Employers and employees must make monthly contributions to the social security system. Employers must withhold and remit the contributions of their employees, in addition to paying their own contributions.

Social security contributions are calculated on employees' earnings (i.e. daily salary as increased by any additional payment in cash or in kind).

The maximum base on which contributions are calculated is 60 minimum wages (Law 065).

The National Fund for Health (*Caja Nacional de Salud*, CNS) administers the short-term social security system in Bolivia. With effect from 2011, contributions made to the retirement fund are managed by a newly created public entity named *Gestora Pública de la Seguridad Social* (GPS) (Law of 14 December 1956, Social Security Code).

Employers must calculate social security contributions at the following rates:

Contribution	Employer (%)
Public health insurance (CNS)	10
Public retirement pension fund (GPS) and individual capitalization plan	0
Public death and disability insurance (common risk)	0
Public work accident insurance (professional risk)	1.71
Labor Solidarity Contribution	–
GPS commission	–
National housing fund (<i>Pro vivienda</i>)	2
Employer Solidarity Contribution	3

Employees earning salaries exceeding 60 times the minimum monthly salary must contribute 1%, 5% and 10% according to scales of the excess amount on a monthly basis (article 94 of Law 065).

This contribution does not increase the employee's individual account; instead, it is added to the "basic provisional account", which is a kind of "common fund" used to level (increase) the pensions of retired persons who have not been able to reach the "minimum pension" (which is equivalent to one national minimum salary).

See Individual Taxation section 3.1.

4.3. Other taxes

4.3.1. Housing fund contribution

Employers are required to contribute an amount equal to 2% of an employee's daily earnings to the National Housing Fund (*Pro vivienda*) to finance the construction of low-cost housing units. Housing funds are deposited in the individual accounts of each employee (Law of 14 December 1956, Social Security Code).

5. Taxes on Capital

5.1. Net worth tax

No net worth tax is levied in Bolivia.

5.2. Real estate tax

Real estate property is subject to municipal taxation.

The tax (*impuesto a la propiedad de bienes inmuebles y vehiculos automotores*) is annually levied on the basis of the cadastral value declared by the owners, which is set with reference to values and guidelines officially set for the different zones within each municipality (article 52 of Law 843).

As a rule, the tax is levied on a taxable base at progressive rates, which are reduced by 50% with respect to rural land used in the development of farming or forestry activities, or preservation and protection of biodiversity, research and ecotourism.

6. International Aspects

6.1. Resident companies

For the concept of residence, see section 1.2.1.

6.1.1. Foreign income and capital gains

Pursuant to the territoriality principle, business and passive income realized through an enterprise operating outside Bolivia is not taken into account for tax purposes (article 42 of Law 843).

6.1.2. Foreign losses

Foreign losses are not taken into account for tax purposes in Bolivia (article 42 of Law 843).

6.1.3. Foreign capital

Foreign capital and assets held abroad are not subject to net worth taxes or real estate taxes in Bolivia.

6.1.4. Double taxation relief

Since foreign-source income is not subject to corporate income tax, no relief is granted for foreign taxes, except under the application of a tax treaty. For reduced rates applicable under tax treaties, see section 6.3.5.

Tax Administrative Resolution 101700000030 of 29 December 2017 (modified by RND 101800000037 of 27 December 2018) establishes the administrative procedures, requirements and responsibilities of companies to apply a tax treaty.

6.2. Non-resident companies

The law does not provide a definition for the term non-resident. Since the corporate income tax is imposed on Bolivian-source income, the residence of the company deriving the income is irrelevant for corporate income tax purposes. However, the distinction may be important with respect to withholding taxes on payments made to non-residents (article 42 of Law 843), in particular when a tax treaty applies.

6.2.1. Taxes on income and capital gains

There is no comprehensive definition of "permanent establishment" under Bolivian law which simply refers to branches, agencies and establishments in Bolivia of foreign enterprises.

The taxation of Bolivian-source income derived by non-resident enterprises through local branches, agencies or establishments is governed by the corporate tax rules applicable to domestic companies. However, certain specific rules must also be observed, as follows:

Bolivian branches performing activities exclusively in Bolivia are deemed to distribute their profits on the same date that they are obliged to submit their annual tax return to the tax authorities, regardless of whether any profits are actually remitted. In calculating the deemed distribution, losses incurred in previous years may be deducted.

A Bolivian-source profit distribution by a Bolivian branch to its non-resident head office is subject to a final withholding tax at the rate of 25%, which is imposed on 50% of the Bolivian-source profit (i.e. effective tax rate is 12.5%). However, portions of branch profits reinvested in the Bolivian branch are deductible in calculating the 50% taxable base (on which a 25% withholding tax rate is applied). For this purpose, the gross income is first reduced by 50%, and then the reinvested amount is deducted. The reinvested amount must be confirmed by the head office and allocated to a special account.

A specific set of rules applies for income derived by branches performing activities in the fields of transportation and communications, international news, insurance and reinsurance, or production and distribution of films, videotapes and sound recordings.

On the other hand, Bolivian-source income derived by non-residents directly (i.e. not through a branch, agency or establishment) is deemed to be 50% of the gross amount paid without any deductions. The deemed amount of taxable income is subject to a 25% final withholding tax (i.e. the effective tax rate is 12.5%).

Bolivian-source dividends, royalties, rental payments, service fees, overhead charges and other payments by a domestic subsidiary to its non-resident parent company are subject to a final withholding tax at the rate of 25%, which is applicable to 50% of the gross amount paid or remitted to the non-resident company without any deductions (i.e. the effective tax rate is 12.5%) (article 34 of Supreme Decree 24051).

6.2.2. Taxes on capital

Bolivia does not levy net worth tax; consequently, no net worth tax is levied on non-residents with respect to assets located, sited or economically used in Bolivia (*see* section 5.1.).

6.2.3. Administration

Non-residents with a permanent presence (i.e. local branches, agencies or establishments) in Bolivia must self-assess their own income tax liability and must appoint a local representative in Bolivia and notify the tax administration of the appointment.

Non-resident companies without permanent establishments in Bolivia, but deriving income from Bolivia, are subject to tax liability to be met by final withholding taxes.

6.3. Withholding taxes on payments to non-resident companies

Domestic-source income derived by non-residents without a permanent establishment in Bolivia is generally subject to a final withholding tax levied on the gross amount.

For reduced rates under tax treaties, *see* section 6.3.5.

6.3.1. Dividends

Bolivian-source dividends and other profit distributions by a domestic subsidiary to its non-resident parent company are subject to a final withholding of corporate income tax at the flat rate of 25%, which is imposed on 50% of the Bolivian-source dividend (i.e. the effective tax rate is 12.5%) (article 42 of Law 843, article 34 of Supreme Decree 24051).

6.3.2. Interest

Bolivian-source interest paid to non-resident beneficiaries is subject to a final withholding tax at the rate of 25%, which is imposed on 50% of the Bolivian-source income (i.e. the effective tax rate is 12.5%) (article 42 of Law 843).

6.3.3. Royalties

Bolivian-source royalties paid to non-resident beneficiaries are subject to a final withholding tax at the rate of 25%, which is imposed on 50% of the Bolivian-source income (i.e. the effective tax rate is 12.5%) (article 42 of Law 843).

6.3.4. Other

Bolivian-source service fees paid to non-resident beneficiaries are subject to a final withholding tax at the rate of 25%, which is imposed on 50% of the Bolivian-source income (i.e. the effective tax rate is 12.5%).

Rental income derived by non-residents from the leasing, subleasing or other exploitation of any Bolivian-situs real property is subject to a final withholding tax at the rate of 25%, which is imposed on 50% of the Bolivian-source rental payment (i.e. the effective tax rate is 12.5%).

Bolivian-source capital gains derived by non-residents are subject to a final withholding tax at the rate of 25%, which is imposed on 50% of the Bolivian-source capital gain (i.e. the effective tax rate is 12.5%).

Bolivian-source profits of a Bolivian branch are subject to a final withholding tax at the rate of 25%, which is imposed on 50% of the Bolivian-source profits distributed to the foreign head office (i.e. the effective tax rate is 12.5%) (article 34 of Supreme Decree 24051).

6.3.5. Withholding tax rates chart

This table provides the treaty withholding tax rates for dividend, interest and royalty. The corresponding domestic rates are also specified.

The treaty rate is directly applied if a certificate of residence is presented to the withholding agent. If not, a refund of excess tax withheld is available upon request.

	Dividends		Interest	Royalties
	Individuals, companies	Qualifying companies		
	(%)	(%)	(%)	(%)
Domestic Rates				
<i>Companies:</i>	12.5/25 ¹	12.5/25 ¹	12.5/25 ¹	12.5/25 ¹
<i>Individuals:</i>	12.5/25 ¹	n/a	12.5/25 ¹	12.5/25 ¹
Treaty Rates				
<i>Treaty With:</i>				
Argentina	_2	_2	_2	_2

	Dividends		Interest	Royalties
	Individuals, companies	Qualifying companies		
	(%)	(%)	(%)	(%)
Colombia ³	— ²	— ²	— ²	— ²
Ecuador ³	— ²	— ²	— ²	— ²
France	15	10/15 ⁴	0/15 ^{5,6}	0/15 ⁷
Germany	15	15	0/15 ⁸	15
Peru ³	— ²	— ²	— ²	— ²
Spain	15	10 ⁹	0/15 ¹⁰	0/15 ^{11,12}
Sweden	15	0 ⁹	0/15 ^{13,14}	0/15 ¹⁵
United Kingdom	15 ¹⁶	10/15 ¹⁷	0/15 ^{16,18}	0/15 ¹⁹

1. Payments made to non-resident beneficiaries are subject to a final withholding tax rate of 25%, which is imposed on 50% of the Bolivian-source income (i.e. the effective tax rate is 12.5%).
2. The domestic rate applies; there is no reduction under the treaty. The source state has the exclusive right to tax.
3. According to Decision 578 of the Andean Community.
4. The general rate under the treaty is 15%. However, by virtue of a most favoured nation clause, the rate is reduced to 10% if the recipient company owns at least 25% of the paying company's capital. Under the Bolivia and Spain treaty, the rate for such dividends is 10%. For further details, see the notification published by the French tax administration on 4 November 2016.
5. The lower rate applies when the interest arises in France and is paid to the Bolivian state or when the interest arises in Bolivia and is paid to French public bodies or institutions.
6. The general rate under the treaty is 15%. However, by virtue of a most favoured nation clause the rate is reduced to 0% if the interest is related to the sale of industrial, commercial or scientific equipment. Under the Bolivia and Spain treaty, the rate for such interest is 0%. For further details, see the notification published by the French tax administration on 4 November 2016.
7. The general rate under the treaty is 15%. However by virtue of a most favoured nation clause the rate is reduced to 0% for royalties for the use of, or the right to use, any copyright of literary, dramatic, musical or artistic work (excluding royalties relating to cinematograph films, videotapes for use in connection with television, or magnetic gramophone records or tapes). Under the Bolivia and Spain treaty, the rate for such royalties is 0%. For further details, see the notification published by the French tax administration on 4 November 2016.
8. The lower rate applies to interest arising in Bolivia and paid to the government of Germany, to the Deutsche Bundesbank, to the Kreditanstalt für Wiederaufbau or to the Deutsche Finanzierungsgesellschaft für Beteiligungen in Entwicklungsländern.
9. The rate applies if the recipient company owns at least 25% of the paying company's capital.
10. The lower rate applies if the interest is paid:
 - (a) by that state, by or to a political subdivision or local authority;
 - (b) to an institution or body wholly owned by a contracting state or a by political subdivision or local authority;
 - (c) to any other institution in connection with any loan for a period of no less than 5 years, granted by them within the framework of agreements between both states;
 - (d) in connection with the sale of industrial, commercial or scientific equipment.
11. The 0% rate applies to royalties and other similar remuneration paid as consideration for the use of, or the right to use, any copyright of literary, dramatic, musical or artistic work (excluding royalties related to cinematographic films, videotapes for the use in connection with television, or magnetic gramophone records or tapes).
12. A most favoured nation clause may be applicable with respect to royalties.
13. A most favoured nation clause may be applicable with respect to interest.

14. The lower rate applies if one of the following requirements is fulfilled:
 - (a) the recipient is the government or the central bank of a contracting state or a political subdivision or local authority thereof;
 - (b) the interest is paid by such a person mentioned in subparagraph (a);
 - (c) the interest is paid in respect of a loan granted or guaranteed by a financial institution of a public character with the objective to promote exports and development if the credit is granted or guaranteed on preferential conditions; or
 - (d) the interest is paid with respect to indebtedness arising on the sale on credit, by an enterprise of a contracting state, of any merchandise or industrial, commercial or scientific equipment to an enterprise of the other contracting state.
15. The general rate under the treaty is 15%. However by virtue of a most favoured nation clause the rate is reduced to 0% for royalties for the use of, or the right to use, any copyright of literary, dramatic, musical or artistic work (excluding royalties relating to cinematograph films, videotapes for use in connection with television, or magnetic gramophone records or tapes). Under the Bolivia and Spain treaty, the rate for such royalties is 0%.
16. A most favoured nation clause may be applicable with respect to dividends and interest.
17. The general rate under the treaty is 15%. However, by virtue of a most favoured nation clause, the rate is reduced to 10% if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends. Under the Bolivia and Spain treaty the rate applicable to such dividends is 10%.
18. The lower rate applies to interest arising:
 - (a) In a contracting state, if it is derived and beneficially owned by the government of the other contracting state or a local authority thereof or any agency or instrumentality of that government or local authority or
 - (b) In Bolivia, when it is paid to and beneficially owned by a resident of the United Kingdom if it is paid in respect of a loan made, guaranteed or insured, or any other debt claim or credit guaranteed or insured by the United Kingdom Export Credits Guarantee Department.
19. The general rate under the treaty is 15%. However by virtue of a most favoured nation clause the rate is reduced to 0% for royalties for the use of, or the right to use, any copyright of literary, dramatic, musical or artistic work (excluding royalties relating to cinematograph films, videotapes for use in connection with television, or magnetic gramophone records or tapes). Under the Bolivia and Spain treaty, the rate for such royalties is 0%.

7. Anti-Avoidance

7.1. General

No general anti-avoidance rule exists in Bolivian domestic tax law. Nevertheless, related-party transactions are subject to transfer pricing rules, *see* section 7.2.

Law 2492 provides that tax provisions must be interpreted by giving to concepts or text the meaning that reflects or suits the economic reality.

The “List of Countries or Regions with Low or Nil Taxation” (currently an annex in Normative Resolution 1011800000006 of 9 March 2018) comprises the following countries:

Alderney, American Samoa, Andorra, Angola, Anguilla, Antigua and Barbuda, Aruba, Ascension, Bahamas, Bahrain, Barbados, Belize, Bermuda, Bonaire, British Virgin Islands Saba and St. Eustatius, Brunei Darussalam, Cape Verde, Campione d'Italia, Cayman Islands, Christmas Island, Cocos or Keeling Islands, Cook Islands, Cyprus,

Djibouti, Dominica, Falkland Islands, French Polynesia, Gibraltar, Granada, Great Sark, Guam, Guernsey, Guyana, Hong Kong, Isle of Man, Jersey, Jordan, Kiribati, Kuwait, Labuan, Lebanon, Liberia, Liechtenstein, Little Sark, Macao, Maldives, Malta, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Niue, Norfolk Island, Oman, Palau, Panama, Pitcairn, Puerto Rico, Qeshm Island, Salomon Island, Samoa, San Marino, Seychelles, St. Kitts and Nevis, St. Vincent and the Grenadines, St. Helena, St. Lucia, St. Pierre and Miquelon, Sri Lanka, Svalbard, Swaziland, Tokelau, Tonga, Trinidad and Tobago, Tristan da Cunha, Turks and Caicos Islands, Tuvalu, United Arab Emirates, US Virgin Islands, Vanuatu and Yemen.

7.2. Transfer pricing

In 2014, Law 549 introduced a legal framework for transfer pricing. The transfer pricing rules are based on the arm's length principle, establish a new concept of related parties and introduce transfer pricing methods.

Supreme Decree 2777 later further developed the transfer pricing rules introduced by Law 549.

In the case of income tax, the arm's length principle is applicable to commercial and/or financial operations performed between related parties.

Related parties are deemed to exist whenever one person takes part in the management, control, or administration, or possesses capital equity in another company, or whenever a third party directly or indirectly participates in the management, control, or administration, or possesses capital equity in two or more companies.

The tax administration is empowered to perform adjustments when the transaction values do not comply with the arm's length principle. For this purpose, the tax administration can use the following methods:

- comparable uncontrolled price;
- resale price;
- cost-plus;
- profit split;
- transaction net margin; or
- quoted price on transactions in transparent markets.

The most appropriate method must be used, taking into consideration the nature and specific circumstances of the transaction.

In addition, a formal transfer pricing obligation has been established. Taxpayers, within the scope of transfer pricing rules, are obliged to present transfer pricing documentation which includes a technical transfer pricing study.

In the case of customs duties, the customs administration can require importers to hand in transfer pricing studies (TPS) regarding transactions with related parties. The TPS documentation can be required when the customs administration has reasonable doubts regarding the declared values for customs purposes. This is aimed at determining whether the declared values are arm's length.

The transfer pricing rules entered into force from the beginning of 2015. Furthermore, regulations for the

implementation of transfer pricing rules were introduced by Normative Resolution 10-0008-15 in May 2015.

The Tax Administration's Resolution 10-0008-15, issued on 30 April 2015, established documentation requirements for compliance with transfer pricing rules. Taxpayers coming within the scope of this resolution are those that are subject to income tax and carry out commercial or financial operations with related parties.

7.3. Limitations on interest deductibility

Interest paid by a domestic company to its non-resident shareholders or partners that is considered "excessive" (i.e. higher than LIBOR + 3%) is treated as a non-deductible expense for the domestic company's income tax purposes. The "excessive" interest payment must be included in the domestic company's taxable income for tax purposes.

Tax-deductible interest cannot exceed 30% of the total interest paid out by the enterprise to third parties in the period reported.

In the case of oil companies, interest on loans is deductible as long as the company's total financial debt does not exceed 80% of the total investments effectively made in Bolivia by the same company.

There is no thin-capitalization rule in Bolivia.

7.4. Controlled foreign company

Bolivia does not have special measures for controlled foreign companies.

8. Value Added Tax

8.1. General

VAT is levied on taxable supplies of goods and services as well as on imports of taxable goods and services into Bolivia. Exports are zero-rated. Some specified transactions are exempt without credit for previously paid VAT (article 1 of Law 843).

In computing the tax liability, input VAT may be credited against output VAT, so that in practice only the value added to the taxpayer's supplies is taxed. The VAT liability must be reported in monthly tax returns. VAT applies to all stages of the distribution process (articles 7, 8 and 9 of Law 843).

Seventy per cent of the VAT credit on gasoline and diesel oil purchases may be applied to offset VAT debits (National Budget for 2021, Law 1356).

The falsification of VAT invoices to illegally offset a VAT debit is penalized with 2 to 6 years imprisonment (article 177 ter of Law 2492).

Directory Normative Resolution 102100000011 of 11 August 2021 regulated in a comprehensive way the different invoicing modalities taxpayers may use for purposes of complying with their VAT obligations. Specifically, the Resolution regulates the following types of invoicing: (i) manual invoicing; (ii) pre-valued invoice

ing; (iii) computerized SFV invoicing; (iv) online electronic invoicing; (v) online computerized invoicing; and (vi) online web invoicing. The Tax Administration will determine which taxpayers must use online invoicing based on their economic activity, number of economic activities, invoicing volume, tax behaviour, total invoicing amount, e-commerce and related services.

8.2. Taxable persons

Taxable persons for VAT purposes are those who (i) are habitually engaged in the supply of movable goods; (ii) habitually supply movable property in their own name but on behalf of a principal; (iii) are importing goods into the Bolivian territory; (iv) habitually render services; (v) are leasing movable and immovable property; or (vi) persons who carry on financial leasing transactions (article 3 of Law 843).

Under the Tax Administration's Resolution 10-0044-13, published in the Official Gazette on 20 December 2013, taxable persons in the case of e-commerce (online sales) are as follows:

- where there is no intermediary, the seller must invoice the buyer; and
- where there is an intermediary, the intermediary must issue the invoice under the third-party invoicing modality (under the Tax Administration's Resolution 101800000026 from 21 December 2018, in force as of 1 March 2019).

8.3. Taxable events

VAT liability is incurred on the following transactions: the supply of movable goods situated or placed in Bolivian territory; the supply of services within the Bolivian territory; the leasing of movable and immovable property; and final importation of goods into Bolivia. VAT is also levied in the case of financial leasing (article 1 of Law 843).

On 14 July 2021, Supreme Decree 4541 introduced adjustments regarding the taxable event and the accrual of VAT for services rendered under a regular and continuous basis (recurring services). Specifically, the taxable event for recurring services with a pre-defined price is (i) the partial or total payment of the price; or (ii) the expiration of each monthly period, whichever occurs first. For recurring services where the price is not pre-defined, the taxable event is the determination of the price which results from the monthly measurement or performance of the service, or upon the partial or total payment for the service rendered, whichever occurs first.

8.4. Taxable amount

The taxable amount is the "net price" charged for the supply of goods or services as shown on the invoice, tax voucher or similar document, including the corresponding amount of VAT, which must not be separated from the price. The excise tax (*see* section 9.) is not included in the taxable amount.

The net price is the total price less: (i) any special bonus or discount granted by the supplier; and (ii) the fair market price of the containers (article 5 of Law 843).

The taxable base includes the following incidental expenses, even if invoiced or agreed separately:

- services ancillary to the taxable transaction (e.g. transportation, cleaning, packing, insurance, guarantee, placement, maintenance and similar services); and
- financial costs (i.e. expenses relating to deferred payments, including those relating to the instalments and final payment under financial leasing). For this purpose, financial expenses do not include amounts resulting from any inflation adjustment rules.

The exchange of goods is taxed as two separate sales.

The taxable base for importation of goods is the c.i.f. value of the imported goods (i.e. the cost, insurance and freight value representing the landed value of goods at the first port of arrival) plus the corresponding customs duties and charges and any other customs clearance-related levies (article 6 of Law 843).

Payment or acquisition of goods and services exceeding BOB 50,000 must be documented with "reliable means of payment" (*see* section 1.3.3.1.).

8.5. Rates

The rates of VAT in Bolivia are:

Type of rate	Rate (%)
Standard rate	13 ¹
Preferential rate (export of goods)	0

1. The VAT (IVA) is an integral part of the price of goods or services; the actual computable rate net of VAT is 14.94%. Invoices do not show VAT separately.

8.6. Exemptions

The following are tax exempt (article 14 of Law 843):

- goods imported by diplomatic service members;
- bona fide imports made by travellers arriving to the country;
- cession of goods and assets subject to procedures for issuing securities;
- transactions involving the transfer of financing intermediation, insurance, pensions and stock exchange portfolios, whether resulting from sale or cession;
- all transactions of public offer securities registered with the RMV performed in Bolivia and having effect in the national territory; and
- the importation of printed books, newspapers and magazines.

To mitigate the economic effects of the COVID-19 pandemic, Law No. 1391 of 31 August 2021 grants a VAT exemption on the importation of capital goods, industrial plants and high-capacity cargo vehicles used in the agricultural and industrial sector and heavy machinery for the construction and mining sector. Supreme Decree No. 4579 of 1 September 2021 regulates the conditions of a maximum age limit of the imported assets to benefit from

VAT exemption. The commercialization of such goods in the Bolivian market will be subject to the VAT zero rate.

Any legal entity which performs production activities, presentations and transmission of events produced by Bolivian artists is exempt from VAT when certain requirements are met. Bolivian artists must be registered with the “Plurinational System of Registry of Bolivian Artists”.

Invoices issued for these activities must strictly follow the directives of the Tax Administration’s Resolution 101800000026, in force as of 1 March 2019.

Exemptions entail that there is no credit for previously paid VAT (i.e. the input VAT on purchases and imports cannot be credited by the taxpayer).

The following supplies are zero-rated (i.e. input VAT can be credited):

- the exportation of goods; and
- the sale of locally printed books, imported books and official publications printed by any Bolivian state office (Law 366).

8.7. Non-residents

No refund scheme is available for non-residents.

8.8. Other

8.8.1. Simplified tax regime

Individual retailers and craftsmen are subject to the simplified tax regime, provided that: (i) their assets and annual sales do not exceed certain thresholds; and/or (ii) they do not have more than three employees. The simplified tax regime integrates VAT, transactions tax and individual income tax compliance.

Under the simplified tax regime, taxpayers are classified into four categories according to the amount of their assets. The taxpayers must pay a bimonthly lump-sum tax (Supreme Decree 24484).

The tax base of the STR is determined on the basis of two factors: (i) the amount of annual sales; and (ii) the amount of working capital. With effect from 1 January 2019, Supreme Decree 3698 modified the amount of annual sales and introduced an additional bracket of working capital.

9. Miscellaneous Taxes

9.1. Capital duty

No capital duties are applied in Bolivia upon the formation of companies or the expansion of capital.

9.2. Transfer tax

9.2.1. Immovable property

The transfer of immovable property is subject to municipal taxation (*impuesto municipal a las transferencias de inmuebles y vehículos automotores*). The title owner of

the immovable property to be transferred or sold is subject to this tax.

The tax is levied on second and successive transfers for consideration (i.e. sale, exchange and surrender) of immovable property recorded in the Bolivian registries of property at the time of the transfer. An exchange of goods is considered as two transfers of property, each for a consideration equal to the value of the goods received, plus any related services received.

The tax is 3% of the higher of: (i) the consideration effectively paid for the property sold; or (ii) the officially appraised value (Law 317).

9.2.2. Shares, bonds and other securities

No indirect taxes apply to shares, bonds and securities (article 2 of Law 843).

9.2.3. Other

9.2.3.1. Motor vehicles

The transfer of motor vehicles is subject to municipal taxation (*impuesto municipal a las transferencias de inmuebles y vehículos automotores*). The title owner of the vehicles to be transferred or sold is subject to this tax.

The tax is levied on second and successive transfers for consideration (i.e. sale, exchange and surrender) of motor vehicles recorded in the Bolivian registries of property at the time of the transfer. An exchange of goods is considered as two transfers of property, each for a consideration equal to the value of the goods received, plus any related services received.

The tax is 3% of the higher of: (i) the consideration effectively paid for the property sold; or (ii) the officially appraised value.

9.2.3.2. Financial Transactions Tax

Law N° 713 of July 2015 establishes that, in general, the transfer of money in any foreign denominated currency to and from accounts in Bolivian financial institutions is subject to a Financial Transactions Tax (ITF). The tax was levied at the rate of 0.15% (for transactions made in 2015), 0.20% (for transactions made in 2016), 0.25% (for transactions made in 2017), and 0.30% (for transactions made in 2018).

Law 1135 of 27 December 2018 modified Law 3446 from 21 July 2006 to extend to 2023 the application of the tax and to establish a fixed rate of 0.30% as of 2019.

Entities within the scope of the Law of Banks and Financial Entities and entities whose business includes the provision of transfer funds services act as withholding agents of this tax.

9.3. Stamp duty

There is no stamp duty in Bolivia.

9.4. Customs duty

A consolidated customs duty is levied on the c.i.f. value of any kind of goods or merchandise at rates that vary from 10% to 15% (Supreme Decree 3069). However, certain goods may qualify for customs duties at a reduced rate of 5% or 0%. Furthermore, there are several agreements with other countries that exempt certain items from customs duties or reduce the customs duty rate (General Customs Law).

On 24 July 2020, the government introduced through Supreme Decree 4298 several tax incentives to alleviate the impact of the COVID-19 pandemic, including tariffs deferral until 31 December 2020 for the importation of equipment for the food, agri-food, textile, and metallurgical industry. However, Supreme Decree 4416 of 9 December 2020 repealed such incentive.

9.5. Excise duty

Excise tax (*impuesto al consumo específico*, ICE) is levied on specific goods and services. The tax is levied only at the producer or importer level.

Chargeable goods at ad valorem rates are cigarettes, cigars, tobacco, motor vehicles and hydraulic or gas-generated electric power. Chargeable goods at lump-sum rates are bottled soft drinks, beer, wines, brandy, whisky, liquors in general and other fermented beverages.

Electric power is exempt when used for industrial consumption or obtained by the consumer from non-hydraulic or non-gas-generated sources or from external sources.

With respect to sales, the liability to excise tax arises upon the date of delivery of the merchandise, or the date of issuance of the invoice. With respect to imports, excise tax liability arises when the imported goods leave customs clearance.

The excise tax rates applied on importation of motor vehicles vary according to the fuel used as follows (article 79 of Law 843 and annex 79):

Category	Fuel used	Range (%)
1	Diesel	15 – 80
2	Gasoline	0 – 40
3	Natural gas vehicle (NGV)	0 – 40
4	Other	0 – 40

More specific rates are established according to the vehicle age and engine size.

The import of new or used motor vehicles originally manufactured to use natural gas as fuel is not subject to excise duty.

The following products are taxed at the ad valorem rates indicated below.

	%
Dark cigarettes and tobacco	78,527 for every 1,000 units
Blonde cigarettes	147.50 for every 1,000 units
Cigarettes, tobacco for pipes and any other product elaborated of tobacco	50%

Some products are taxed through lump-sum amounts and/or at percentage rates, as indicated below (Tax Administrative Resolution 102100000029 of 27 December 2021, which supersedes Resolution 102000000042 of 29 December 2020).

	Lump-sum ICE (BOB/litre)	ICE rate (%)
Bottled water	0	–
Bottled soft drinks (except natural waters and juices)	0	–
Non-alcoholic beer	0.46	–
Energy drinks	5.28	–
Beer	3.96	1
Liquors, rum, vodka, and other distilled drinks	3.63	10
Singani	3.63	5
<i>Chicha</i> (corn-fermented drink)	0.92	–
Scotch whisky	14.17	10
Distilled neutral alcohol ABV > 80	1.79	–
Wine	3.63	–
Sparkling wine, cider	3.63	5

The tax must be shown separately on invoices or similar documents covering sales. Moreover, the tax authorities may require the use of stamps, labels, distillery and measurement devices for the control of specified products.

The tax period is the calendar month. A tax return must be filed and the tax due should be paid within the first 22 days of the following month, depending on the last digit of the tax id number. Importers must assess and pay the tax by means of a tax return at customs clearance (article 7 of Supreme Decree 24053).

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