**LAW**

**No. 153/2020**

**ON FISCAL REGIME AT HYDROCARBON SECTOR**

Pursuant to Articles 78, 83, point 1, and 155 of the Constitution, under the proposal of the Council of Ministers,

THE ASSEMBLY

OF THE REPUBLIC OF ALBANIA

DECIDED:

CHAPTER I

GENERAL PROVISIONS

Article 1

**Scope of the law**

This law stipulates the fiscal regime applicable to hydrocarbon operations, as regulated by applicable hydrocarbon legislation (exploration and production).

Article 2

**Taxable entities**

1. This law applies to legal entities that perform hydrocarbon operations on land (onshore). A special law stipulates the applicable fiscal system on legal entities conducting offshore operations at sea.

2. This law applies to entities that carry out authorized hydrocarbon operations, in accordance with the in-forced legislation on hydrocarbons (exploration and production).

3. In order to prevent the avoidance of the fiscal regime in the hydrocarbon sector, this law effects and applies to legal entities defined in this article and that perform directly or indirectly hydrocarbon operations (referred to as "subcontractors"), which meet one of the following criteria:

a) if the subcontractor performing hydrocarbon operations is considered a "related entity" with the contractor according to the definition of "related entity" in the in-forced legislation on income tax;

b) if the subcontractor is an operator in relation to hydrocarbon operations and carries out activities which are essential for hydrocarbon operations. If the level of the subcontractor's billing contribution to the total expenditure for hydrocarbon operations of the authorized entity is not less than 25%, the operations are considered as essential activities to hydrocarbon operations, for the purpose of this law.

c) if the main scope of the agreement with the subcontractor is the avoidance by the subcontractor of the tax rate according to this law and the benefit of the tax rate according to the law on income tax.

4. The Council of Ministers approves the detailed rules for the implementation of this article, on the proposal of the respective Minister for finances and the respective Minister for hydrocarbons.

Article 3

**Scope of application**

The following regulations are under the scope of implementation of this law:

a) the obligation on royalty tax, the tax on profit due to hydrocarbon operations and their administration, as well

b) the extent to which a hydrocarbon agreement may affect the liability for the imposition of taxes and duties, as well as applicable local and national taxes/charges.

Article 4

**Definitions**

1. For the purposes of this law, the following terms mean:

a) "**Regulatory authority**" is the respective ministry on hydrocarbon activity, or any other institution authorized by the ministry, according to the provisions of the applicable legislation on hydrocarbons (exploration and production);

b) "**Hydrocarbon permit**" is the right of an entity to conduct hydrocarbon operations, including the right of an entity under a hydrocarbon agreement and the right of the subcontractor to which this law applies under Article 2 to conduct hydrocarbon operations on behalf of another entity;

c) "**Approved rehabilitation fund**", in relation to a specific hydrocarbon operation, means a fund:

i. required by law or hydrocarbon permit and approved on this purpose by the respective minister for hydrocarbon affairs,

ii. created to cover the costs that will arise for abandonment, rehabilitation and elimination of the operation; and

iii. when settled contributions to the fund are out of the control of the entity performing the operation or the related party,

ç) "**Hydrocarbons**", "**Hydrocarbon agreements**", "**Crude oil**", "**Mining royalties**" and "**Hydrocarbon operations**" have the same meaning as defined at the in-forced legislation on hydrocarbons (exploration and production);

d) at the hydrocarbon agreement **"clause on stability of fiscal regime"** is the clause that guarantees that the fiscal regime, which applies to the authorized entity to conduct hydrocarbon operations, will continue to apply or will not be changed to the detriment of the entity;

dh) in relation to the hydrocarbon permit, **"agreements on expenditure financing (*farm out*)"**, includes an agreement on the transfer of a part of the permit in exchange for payment that includes, in whole or in part, an obligation on the part of the recipient, to pay a sum of future expenses for hydrocarbon operations, expenses which are in disproportion to the corresponding part of the permit-recipient in the period when the expenses are incurred,

e) "**Subcontractor**" has the meaning given in Article 2 of this law,

ë) “**Detached hydrocarbon operation**” has the meaning given in article 8 of this law,

f) "**Authorized hydrocarbon operation,**" means hydrocarbon operations authorized under applicable hydrocarbon legislation (exploration and production),

g) “**Payment related to the result**” is the periodic payment, at the amount that it is calculated, referring to profit, production or hydrocarbons derived from related or not to oil or gas operations, whether or not they are made by the entity making this payment;

gj) "**Delivery point**" is the point provided in the relevant hydrocarbon agreement or, in the absence of such a provision, the point designated by the respective minister for hydrocarbon affairs,

h) "**Development plan**" has the meaning given in the in-forced legislation on hydrocarbons (exploration and production),

i) "**rules on price transfer**" and "**transaction comparability**" apply in accordance with the provisions aimed in the legislation on income tax, applicable without cross-border restrictions and regardless of the fact whether the transaction is carried out entirely within Albania or by resident parties or by nonresidents

j) "**Tax, charges** " are taxes and charges settled in the Republic of Albania and include customs duties, excises, income tax, royalty, value added tax, national and local taxes;

k) "**Contract area**" has the meaning given to the in-forced legislation on hydrocarbons (exploration and production),

l) “**Development and production area**” is the area identified in a development plan approved by the respective minister on hydrocarbon affairs, according to the in-forced legislation on hydrocarbons (exploration and production).

2. Other terms that are not expressly defined in this law, have the same meaning with the terms respectively defined in the in-forced legislation on income tax and hydrocarbons (exploration and production).

CHAPTER II

MINERAL ROYALTY

Article 5

**Setting the royalty**

1. The holder of a hydrocarbon permit must pay royalties for hydrocarbons extracted pursuant to this permit.

2. Mineral royalty is calculated by applying a ten percent rate on the market value of hydrocarbons (oil and gas) extracted in the territory of the Republic of Albania, as defined in Article 6 of this law.

3. The extracted amount of hydrocarbons is measured at the point of delivery.

4. Mineral royalty applies on:

a) samples of hydrocarbons taken for analysis, assessment, examination or other testing, but royalties are paid if a sample is sold; and

b) hydrocarbon that in compliance with the hydrocarbon agreement:

i. is burned or released in relation to hydrocarbon operations; or

ii. is directly used in the same detached hydrocarbon operation from which it is extracted.

5. The rent is paid in the moment and according to the procedure stipulated in chapter V of this law.

Article 6

**Market value of extracted hydrocarbons**

1. On purposes of calculating the royalty, the market value of the extracted hydrocarbons is:

a) the price at which oil or gas is sold at the delivery point; or

b) in transactions between related parties, if the price determined according to letter "a" of this point is lower than the price that have been set between independent parties for a sale at the delivery point, the price at the delivery point is set by applying the rules on price transfer.

2. Notwithstanding the provision of point 1 of this article, when hydrocarbons are supplied under a contract longer than one year, the tax administration may enter an agreement on in advance price, according to article 36/7, of the Law no. 8438, on 28.12.1998, "On income tax", as amended.

CHAPTER III

PROFIT TAX FOR HYDROCARBON OPERATIONS

Article 7

**Profit tax application**

1. An entity performing hydrocarbon operations is subject to profit tax as defined in the in-forced legislation on income tax.

2. Taxable profits of an entity derived from hydrocarbon operations are calculated and taxed according to the provisions of this law.

3. Taxable profits of an entity derived from non-hydrocarbon operations are calculated and taxed according to the provisions of the in-forced legislation on income tax.

4. Revenues and expenses that are created, derived and / or caused while performing the activity are separated into hydrocarbon and non-hydrocarbon operations, in such a way that no overlap is created.

5. The tax on profit derived from hydrocarbon operations for a tax period is calculated by applying the tax rate of 50% of taxable profit from hydrocarbon operations of this period.

6. Taxable profits from hydrocarbon operations for a tax period are calculated as the total amount of taxable profits from each of the detached hydrocarbon operations for that period, excluding losses.

7. For the purposes of calculating taxable profits from hydrocarbon operations:

a) any detached hydrocarbon operation is treated as an independent business and the entity must keep the financial records of that business separate from any other economic activity,

b) the entity must calculate the taxable profit, loss and profit tax liability of the business independently for each tax period.

8. the transfer of an asset to or from a detached hydrocarbon operation is treated as the purchase and sale of the asset, in order to limit tax evasion,

9. When two or more entities are jointly holders of a hydrocarbon permit, each of them must calculate separately their taxable profits from the hydrocarbon operations related to this permit, but acting and treated on transactions between them in terms of "related parties".

10. Rules on price transfer apply to the following transactions as if they are transactions controlled between related parties:

a) interactions between a detached hydrocarbon operation and other activities of the entity performing the hydrocarbon operation (including other detached hydrocarbon operations or non-hydrocarbon operations, such as refining or other processes); and

b) relations between two or more entities, who are holders of the hydrocarbon permit.

Article 8

**Detached hydrocarbon operations**

1. Hydrocarbon operations, which belong to each hydrocarbon permit, constitute a detached hydrocarbon operation.

2. When the approved development and production area are within the contract area, then:

a) hydrocarbon operations performed in the contract area up to the approval date and hydrocarbon operations performed in the development area after that date are treated as performed in relation to the same detached hydrocarbon operation; and

b) from the date of approval, hydrocarbon operations performed in the contract area but outside the development and production area are treated as a new detached hydrocarbon operation.

3. Point 4 of this article applies when:

a) a development and production area is approved within a contract area; and

b) then the holder of the hydrocarbon permit hands over the whole area of ​​the contract, which is not an area of ​​development and production.

4. Hydrocarbon operations:

a) which are attributed to the handed over area, according to letter "b" of point 3 of this article;

b) carried out from the date of approval of the development and production area, according to letter "a" of point 3, until the date of waiver, according to letter "b" of point 3 of this article, are attributed to the development and production area, mentioned in letter "a" of point 3 of this article. This means that hydrocarbon operations are treated as performed in in relation to the detached hydrocarbon operation carried out in the development area, referred to in letter "a" of point 3 of this article.

5. If more than one approved development and production area is within a contract area, the references to “development area” in points 3 and 4 of this article are only for the last approved development area.

6. The respective minister for finance, in cooperation with the respective minister for hydrocarbon affairs, approves guidelines on:

a) further provisions on the definition of detached hydrocarbon operations; and

b) provisions on the treatment of similar hydrocarbon permits and the unification of hydrocarbon permits.

Article 9

**Taxable profits and allowable losses**

1. The taxable profit of an entity due to a detached hydrocarbon operation for a tax period is calculated by deducting the following amounts from the incomes of this period due to this operation:

a) deductible expenses of this operation for this period; and

b) allowable losses from the operation, carried over from previous periods.

Amounts, according to letters "a" and "b" of this point, are allowably deducted, provided that the deduction does not exceed 85% of the income from this operation during this period.

2. In applying the restriction for deduction according to point 1 of this article, the amounts pertaining to letter "a" of point 1 of this article have priority in reducing the taxable profit to the amounts pertaining to letter "b" of point 1 of this article.

3. An allowable loss from a detached hydrocarbon operation for a given tax period is the extent to which the deductible operating expenses for the period exceed 85% of the revenue from this operation for this period.

4. Allowed losses can be carried forward for an indefinite period until they are used to reduce taxable profits, according to letter "b" of point 1 of this article.

5. An allowable loss becomes impermissible to the extent that it is used to reduce taxable profits.

6. Allowable losses due to a detached hydrocarbon operation cannot reduce taxable profits from any other hydrocarbon operation or taxable profits from non-hydrocarbon operations.

7. Losses from non-hydrocarbon operations cannot reduce taxable profits from hydrocarbon operations.

Article 10

**Income**

1. The income of an entity from a detached hydrocarbon operation for a tax period is the total of the following gross amounts:

a) the market value of the hydrocarbons sold during the period from the operation, as referred to in Article 5 of this law, and assessed according to article 6 of this law;

b) the gross amounts acquired during the period from the transfer or use of other operating assets, whether they are current assets or fixed assets, or not;

c) amounts received during the period from compensation and insurance income related to operation,

ç) surpluses of any amount in a rehabilitation fund as provided in article 16 of this law,

d) any other income of the entity from detached hydrocarbon operations, including the amounts obtained during the period from the provision of services or information while performing the operation.

2. are excluded from the incomes of a detached hydrocarbon operation:

a) interest and other financial gains, including the amount treated as interest income; and

b) payment for the transfer of the hydrocarbon permit.

Article 11

Deductible expenses

1. Expenses defined in point 2 of this article, are deductible expenses of a detached hydrocarbon operation for a tax period, provided that:

a) the expense was incurred by the entity during the period and is directly related to the performance of the operation,

b) the incurred expense is in compliance with the hydrocarbon agreement, as well as with the international standards and best practices in the hydrocarbon industry, as defined in the in-forced legislation on hydrocarbons (exploration and production); and

c) the deduction is not limited by article 12 of this law.

2. Deductible expenses are:

a) payments to the budget, including fees, taxes, duties and royalties, according to article 5 of this law;

b) expenses related to employment relations, including the cost of in-kind benefits to employees, insurance contributions payable by the employer, costs for reallocation of employees, medical treatment, life insurance, as well as diets within the limits set out in the guideline of the respective minister for finances;

c) costs for the purchase of materials, equipment and supplies;

ç) transportation costs of employees, equipment, materials and supplies,

d) costs of services and necessary public services provided by third parties, including costs of analysis, data processing, planning, study, supervision and consulting in relation to geology, engineering, chemistry, environmental impact, accounting, auditing, legal proceedings, human resources, financing, contracting and procurement;

dh) other administrative expenses, but not more than 2.5% of other costs for the tax period in which other administrative expenses were incurred;

e) costs for the provision, replacement, repair or storage of materials, equipment and supplies;

ë) the amounts deposited and other expenses incurred in relation to an approved rehabilitation fund of the detached hydrocarbon operation,

f) the costs of abandonment, rehabilitation and elimination of the detached hydrocarbon operation, but only to the extent that any approved rehabilitation fund is insufficient to cover the costs; and

g) other expenses necessary to carry out the detached hydrocarbon operation, which are determined by a joint guideline of the respective minister for finance and the respective minister for hydrocarbons.

3. An expense may be qualified as a deductible expense whether it is an operating expense or a capital expense.

Article 12

**Non-deductible expenses**

Non-deductible expenses are:

a) depreciation;

b) interest, financial costs and costs incurred in relation to financial instruments, including substitute amounts for interest or treated as financing costs by International Financial Reporting Standards;

c) payments related to the result, according to the meaning provided in article 4 of this law,

ç) costs for obtaining, maintaining, improving, protecting or transferring the hydrocarbon permit, including any bonus payments made in relation to the permit;

d) payments done to secure a share of the profits, invoices or expenses of hydrocarbon or non-hydrocarbon operations;

dh) amounts that exceed the limit provided in point 5 of article 13 of this law,

e) profit tax; and

ë) expenses defined in article 21 of law no. 8438, on 28.12.1998, "On income tax", as amended, but:

i. excluding expenses, according to letter "b" of the above article; and

ii. not allowing the deduction for all expenses specified in letter "h" of the aforementioned article.

Article 13

**Distributions, allocations and accounting**

1. Unless otherwise provided in this law, the amounts included or deducted in the calculation of taxable profits of a detached hydrocarbon operation shall:

a) be calculated on the basis of established rights, in accordance with International Financial Reporting Standards; and

b) include adjustments and changes in order to cover inaccuracies.

2. Point 1 of this article does not apply to revenues from extracted hydrocarbons.

3. The amounts to be included or deducted in the calculation of taxable profits and the assets used in obtaining the taxable profits should be allocated / attributed where they pertain to, in cases where there are:

a) more than one detached hydrocarbon operation; or

b) hydrocarbon related or non-related operations.

4. To avoid doubt and based on articles 14 and 15 of this law, amounts that are properly attributed to hydrocarbon operations, that are excluded from revenue under point 2 of article 10 of this law, or that are not deductible under article 12 of this law, are not taken into account while calculating the taxable profits derived from non-hydrocarbon operations.

5. The rules on price transfer apply to the amounts included or deducted in the calculation of the taxable profits of a detached hydrocarbon operation and any allocation under point 3 of this article.

6. When the entity performing a detached hydrocarbon operation pays a related party for the assets, services or other means provided for the operation, any deduction claimed by the entity is limited to the "non-profit amount".

7. For the purpose of point 6 of this Article, "non-profit amount" includes the real costs incurred by the related party in the provision of assets, services or equipment, but excluding any costs incurred by the related party in favor of another entity related to the related party.

Article 14

**Gaining and maintaining hydrocarbon permits**

1. Acquisition, retention and waiver of a hydrocarbon permit is not part of hydrocarbon operations. In accordance with point 1 of article 7 of this law, this permit is considered as part of the non-hydrocarbon operations of the holder and the provisions of the in-forced legislation on income tax are applied to it.

2. For the purpose of point 1 of this article, a hydrocarbon permit is treated as:

a) a real-estate, which is separated from any other interest on the land that constitutes the contract area and any other asset used in hydrocarbon operations; and

b) a depreciable asset, which must be depreciated at the rate of 5%, in accordance with point 3 of article 22 of law no. 8438, on 28.12.1998, "On income tax", as amended.

3. The following rules apply on purposes of calculating taxable profits from non-hydrocarbon operations, in accordance with the in-forced legislation on income tax:

a) the expenses defined in letter "b" of article 12 of this law, are not deductible to the extent that they are attributed to a hydrocarbon permit; and

b) the cost of a hydrocarbon permit may include the costs referred to in letter "d" of Article 12 of this law, but does not include the costs referred to in letter "b" of Article 12 of this law.

4. The Respective minister for finance, with a guideline, determines the method of allocation / attribution of expenses referred to in letter “a” of point 3 of this article, about the hydrocarbon permit, including and based on a comparative value of assets or revenue / turnover.

Article 15

**Transfer of hydrocarbon permits**

1. The transfer of a hydrocarbon permit, as a whole or in part, brings tax consequences for the hydrocarbon and non-hydrocarbon operations of the sale conducting entity.

2. The following rules shall apply to hydrocarbon operations, but only when the hydrocarbon permit is transferred together with the same proportional share of the transferor's interest in the detached hydrocarbon operation carried out in compliance with this permit. On purposes of calculating the profit tax to be paid by the recipient, the following are transferred to the recipient:

a) losses for the hydrocarbon operation (if any) carried over to the tax period in which the transfer takes place and which are allowable losses in accordance with Article 9 of this law,

b) revenues from the hydrocarbon operation related to the extracted oil and gas or otherwise obtained during the tax period and at the time of transfer that are included under the provision of article 10 of this law,

c) expenses for the hydrocarbon operation, incurred during the tax period and up to the time of transfer, which are deductible according to article 11 of this law; and

ç) tax installments paid during the tax period and the time of transfer, as required by Article 23 of this law.

These amounts are allocated according to the degree of transferred interest. Losses, income, expenses and installments are no longer attributed to the transferor, to the extent that they are transferred.

3. Regarding non-hydrocarbon operations, point 7, of article 22, of law no. 8438, on 28.12.1998, "On income tax", as amended, applies to the whole or partial transfer of a hydrocarbon permit.

4. When a hydrocarbon permit is transferred, as a whole or in part, together with other assets, whether used in hydrocarbon or non-hydrocarbon operations, Article 13 of this law applies to the proportional distribution of costs, expenses and amounts caused by the transfer.

5. In determining the estimated amount of the transfer of a hydrocarbon permit, including the transfer under an expenses-financing-agreement (farm-out), or when the assessment on transfer includes any payment related to the outcome in the future:

a) includes the amounts or benefits that will be received in the future from the transfer; and

b) when these amounts or benefits are to be received in more than one year in the future, the amounts are calculated at their current market value using the net current value methodology of future payments; and any equivalent amount treated by the recipient of the hydrocarbon permit as part of its costs.

6. On purposes of determining taxable profits from non-hydrocarbon operations, articles 27 and 27/1 of law no. 8438, on 28.12.1998, "On income tax", as amended, apply to the indirect transfer of a hydrocarbon permit.

Article 16

**Approved rehabilitation funds**

1. An approved rehabilitation fund is exempted from tax.

2. Any surplus in an approved rehabilitation fund of a detached hydrocarbon operation carried out by an entity shall be included in the incomes of the operation when:

a) the respective minister for hydrocarbon affairs certifies that the abandonment, rehabilitation and elimination of the operation is complete and the entity enjoys the right to receive the surplus; or

b) the entity violates the conditions on abandonment, rehabilitation and elimination approved by the minister.

3. Amounts paid from an approved rehabilitation fund of a detached hydrocarbon operation to the entity performing the operation to meet the costs of abandonment, rehabilitation and elimination of the operation are not incomes of the entity.

CHAPTER IV

HYDROCARBON AGREEMENTS

Article 17

**Obligation to consider hydrocarbon agreements**

1. Except as provided in this Article or any provision of fiscal legislation, including this law, the hydrocarbon agreement or its amendment shall not affect the implementation of a fiscal law, including this law. This means that the tax administration must implement and administer the fiscal legal framework, regardless of hydrocarbon agreements.

2. In compliance to article 20 of this law, the rules of points 3 and 4 of this article are applied only:

a) when the hydrocarbon agreement, approved by a Decision of the Council of Ministers has entered into force and the respective minister for finance forwards it to the tax administration for implementation; and

b) only for entities who enjoy the right to perform hydrocarbon operations, according to the agreement and not for any other entity.

3. In the case of a hydrocarbon agreement or its amendment, concluded before this law enters into force, the tax administration applies fiscal legislation taking into account any specific protection or fiscal exemption provided in the agreement.

4. In the case of a hydrocarbon agreement or its amendment, concluded after this law enters into force, the tax administration must implement fiscal legislation taking into account:

a) any approved clause of stability of the fiscal regime in the agreement, as provided by article 18 of this law; and

b) mitigation of local taxes / fees provided in the agreement, as defined in Article 19 of this law.

Article 18

**Approved fiscal stability clause**

1. A fiscal regime stability clause in a hydrocarbon agreement (or amendment thereto) achieved after the entry into force of this law protects the holder of a hydrocarbon permit from:

a) the imposition of new discriminatory taxes and fees, tariffs and other financial duties, imposed by the government, which do not exist on the date when the agreement was concluded;

b) change of existing tax or charge, tariff or other financial duties imposed by the government in a discriminatory manner; or

c) change in the material damage of the permit holder concerning:

i. royalties, profit tax and withholding tax, as well as tariffs on the import of goods or services; or

ii. changes in the structure of the tax base, in its calculation methodology, on which are settled the obligations referred to in subdivision "i" of this point, including the rules for deduction of expenses and losses.

2. A clause on stability of the fiscal regime or amendment in it, which includes the protection according to letter "c" of point 1 of this article, ceases to be an approved clause of stability of the fiscal regime 12 (twelve) years from the production commencement date under the hydrocarbon agreement. Laws and regulations related to national security, labor relations, nature and environment protection, protection of human health, international treaties, in which the Republic of Albania is a member, are excluded from the stability regime. This rule does not apply if the clause has been postponed by subsequent agreements.

Article 19

**Mitigation from local taxes and other taxes**

Local self-government units should implement mitigation from local taxes / fees provided by the hydrocarbon agreement.

Article 20

Avoiding dual benefits from hydrocarbon agreements

1. A party in a hydrocarbon agreement may not simultaneously claim:

a) a specific protection or exemption / mitigation under the agreement in regard to fiscal legislation; and

b) at the same time, benefits from mitigating amendments in fiscal legislation that occur after the approval of the hydrocarbon agreement.

2. Where, in compliance to Article 17 of this Law, a hydrocarbon agreement provides specific protection or exemption / mitigation from tax liabilities, the specific protection or exemption / relief from tax liabilities, they will continue to be applied until the earliest date of:

a) termination of the relevant agreement or clause, which provides for specific protection or exemption / mitigation from tax obligations in the agreement; or

b) entity’s waiver from the right on altered and protected treatment.

CHAPTER V

ADMINISTRATION

Article 21

**Reporting and payment of tax liabilities in local currency**

Entities performing hydrocarbon operations must keep records, report and pay their tax liabilities in local currency, as provided by applicable legislation on tax procedures.

Article 22

**Tax statement and payment of royalty**

1. Mineral royalties for hydrocarbons extracted during a calendar month must be paid by the holder of the hydrocarbon permit within the 15th (fifteenth) day of the following calendar month.

2. In any case when the royalty is paid, the holder of the hydrocarbon permit must submit to the tax administration the tax statement on the royalty.

3. The royalty tax statement must be submitted to the tax administration in the manner and form specified in the guideline of the respective minister for finances. The tax statement must specify:

a) the amount of hydrocarbon on which the royalty is calculated;

b) the market value of hydrocarbons calculated according to article 6 of this law,

c) the value of the royalty to be paid by the entity; and

ç) any other information required by the guideline of the Minister.

Article 23

**Tax statement and profit tax payment for hydrocarbon operations**

1. An entity performing hydrocarbon operations must file a separate tax statement for the hydrocarbon operations performed by him and another tax statement for non-hydrocarbon operations. The hydrocarbon operations tax statement must report taxable profits separately for each individual hydrocarbon operation. Article 29 of law no. 8438, on 28.12.1998, "On income tax", as amended, applies to tax statements for hydrocarbon and non-hydrocarbon operations.

2. Installment system, provided in article 30 of law no. 8438, on 28.12.1998, "On income tax", as amended, applies to the payment of profit tax in respect of hydrocarbon and non-hydrocarbon operations.

3. The Respective minister for finance issues a guideline on the implementation of this article.

Article 24

**Relationship with the law on tax procedures**

1. The procedure provided in the in-forced legislation on tax procedures is applied for the administration of this law.

2. In addition to the provision in point 1 of this article, articles 31 and 32 of law no. 8438, on 28.12.1998, "On income tax", as amended, apply to administrative violations and penalties concerning this law.

Article 25

**Coordination with the regulatory authority**

1. Administrating this law, the tax administration must work in close cooperation with the regulatory authority. To this end, the tax administration and the regulatory authority share such information that is predictably related to their respective functions and may conduct joint audits. This does not facilitate or limit the tax administration in its task to gather information and control hydrocarbon operations on purposes of fiscal legislation.

2. The tax administration must take into account the definitions of the regulatory authority:

a) if an entity performs hydrocarbon operations,

b) on the quantities of hydrocarbons extracted by the entity performing hydrocarbon operations,

c) on the allocation of revenues in hydrocarbon operations, providing whether the revenues belong to a detached hydrocarbon operation or another operation,

ç) for the allocation of expenses in hydrocarbon operations, providing whether the expenses belong to a detached hydrocarbon operation or another operation; and

d) if an entity violates the conditions of abandonment, rehabilitation and elimination, approved by the respective minister for hydrocarbon affairs.

3. The tax administration and the regulatory authority must maintain the confidentiality of the joint information, in accordance with the in-forced legislation on tax procedures.

4. This article is applied in addition to article 86 of law no. 9920, on 19.5.2008, "On tax procedures in the Republic of Albania", as amended.

Article 26

**Financial prognosis**

1. A hydrocarbon permit holder must:

a) in each of the cases, referred to in point 2 of this article and for each year of the predicted duration of the hydrocarbon permit (including any possibility for extension) must prepare the prognosis on:

i. amounts, sources, methods, terms and conditions of financing hydrocarbon operations according to the permit,

ii. research, development and operation costs, as well as additional capital costs that will arise after the commencement of commercial production,

iii. production quantities and expected conditions of sale, especially in relation to price;

iv. production or profit sharing arrangements, including expected distributions, the policies on which distributions will be based, and the order of preference between distributions and other payments (particularly interest and debt settlement);

v. taxes, fees and other income payable to the Albanian state and calculation manner of these amounts; and

vi. any other information that may be provided by the respective minister for finance;

b) to use an appropriate model determined by the respective minister for finance, in carrying out the prognosis referred to in letter "a" of this point; and

c) to appoint an employee, on a permanent term, who notifies in written to the General Directorate of Taxes and the National Agency on Natural Resources:

i. with enough experience to have access to the information referred to in letter "a"; and

ii. who will contact the GDT and AKBN/NANR on issues provided by this article.

2. Prognosis according to letter "a" of point 1 must be prepared twice a year, specifying the prognosis by dates and must be sent to the GDT and AKBN/NANR according to the deadlines set by the guideline of the ministry.

3. After receiving the prognosis according to point 2 of this article, the GDT and AKBN/NANR, with a written notification, may request from the permit holder to provide further and more detailed data on the prognosis. The permit holder must deposit this data within 7 (seven) days from the receipt of the notification.

4. If a hydrocarbon permit holder becomes aware of the facts that make materially incorrect the latest prognosis mentioned in letter "a" of point 1 of this article, then the permit holder must immediately notify the GDT and AKBN/NANR and provide updated information.

5. A permit holder who does not provide information regarding the prognosis, details or further updates, as required by this article, shall be punished by a fine in the amount of 100,000 (one hundred thousand) ALL for each violation.

6. The information received under this article may be sent to the respective ministry for finance on purposes of budget revenue forecasting and on purposes of public financial administration. In any other case the information is subject to the provisions of article 25 of law no. 9920, on 19.5.2008, "On tax procedures in the Republic of Albania", as amended, under any necessary adjustment.

7. The respective minister for finance and the respective minister for hydrocarbons issue a joint guideline on the implementation of this article.

CHAPTER VI

TRANSITIONAL AMENDMENTS AND PROVISIONS

Article 27

**Treatment as a dividend of the outcome-related payment**

An outcome-related payment, which is a non-deductible expense according to Article 12 of this law, is treated as a dividend on the purposes of the in-forced legislation on income tax.

Article 28

**Transitional provisions**

1. For the purposes of Article 9 of this law, the allowable losses of a detached hydrocarbon operation include the unrecovered costs of the operation, incurred before this law enters into force.

2. For the purposes of point 1 of this article:

a) "unrecovered costs" gets its meaning due to the relevant hydrocarbon agreement; and

b) Unrecovered costs incurred before this law enters into force are allowable losses only if they are controlled and certified as accurate and attributed to the hydrocarbon operation by the regulatory authority.

Article 29

**Revoke of existing legislation**

1. Law no. 7811, on 12.4.1994, “On the approval of amendments of the decree no. 782, on 22.2.1994, ‘On the fiscal system at hydrocarbons sector (exploration-production)’ ”is revoked.

2. In law no. 9975, on 28.7.2008, "On national taxes", as amended, these additions and amendments are done:

a) at the end of point 4 of article 4 is added the paragraph with this content:

The law “On the fiscal regime at hydrocarbon sector” settles mining royalty tax for extracted hydrocarbons

b) the seventh group at appendix no. 2 is revoked.

Article 30

**Bylaws**

1. The Council of Ministers within 3 months from the entry into force of this law, issues bylaws pursuant to point 4 of article 2 of this law.

2. The Respective minister for finance and the respective minister for hydrocarbons, within 3 months from the entry into force of this law, issue a joint guideline pursuant to articles 8, point 5, and article 26, point 7 of this law.

3. The Respective minister for finance issues a guideline on its implementation, within 3 months from the entry into force of this law.

Article 31

**Entry into force**

This law enters into force 15 days after its publication in the Official Gazette.

Head of the Assembly

Gramoz Ruçi

It is approved on 17.12.2020.