



## **LOCAL Policies for GREEN Energy – LOCAL4GREEN**

**Priority Axis 2: Fostering low-carbon strategies and energy efficiency in specific MED territories: cities, islands and remote areas**

**Specific Objective 2.2: To increase the share of renewable local energy sources in energy mix strategies and plans in specific MED territories**

# **NATIONAL HANDBOOK ON GREEN LOCAL FISCAL POLICY MODELS**

## **Albania**

**Project Partner in charge: PP9 Association of Albanian Municipalities**

**Project partners involved: -**

## Table of Content

1.	Introduction.....	5
1.1.	General information about the Project .....	5
1.2.	Duration .....	6
1.3.	Co-financing .....	6
1.4.	Partners.....	6
2.	Albania, as part of MED .....	8
3.	National Handbook for Fiscal Green Fiscal Policy Models .....	11
3.1.	Objectives .....	11
3.2.	Target groups .....	11
4.	National regulations regarding the local fiscal policies.....	12
4.1.	Shared taxes.....	13
4.1.1.	Vehicle tax.....	13
4.1.2.	Mineral rent.....	13
4.1.3.	Tax on personal incomes .....	14
4.2.	Local taxes.....	15
4.2.1.	Tax on real estate .....	16
4.2.5.	Hotel accommodation tax .....	18
4.2.6.	Tax on impact on infrastructure .....	18
4.2.7.	Tax on billboard.....	18
4.2.8.	The tax on the transfer of ownership of immovable property .....	18

4.2.9	Temporary local taxes .....	19
4.3	Local tariffs.....	19
4.3.1	Tariff on occupation of public space .....	19
4.3.2	Tariffs on public services .....	20
4.3.3	Local fees for administrative services.....	21
4.4	General overview on municipal budgets.....	21
5.	Description of Fiscal Policies of Pilot Municipalities.....	23
5.1	Lezhë Municipality .....	23
	General overview.....	23
	Proposed fiscal policies.....	24
	Assessment of the financial impact of fiscal measures .....	25
	Estimated energy savings and gases that will not be emitted .....	28
5.2	Vau i Dejës Municipality .....	31
	General Overview .....	31
	Proposed fiscal policies.....	32
	Estimated energy savings and gases that will not be emitted .....	35
5.3	Kukës Municipality .....	37
	General overview .....	37
	Proposed fiscal policies.....	38
	Estimated energy savings and gases that will not be emitted .....	40
6.	Means of verification for benefiting categories .....	42
	For the relief on the Tax on Buildings .....	42
	For the relief on the Tax on public services: .....	42
7.	Communication with Community.....	43



---

8. Conclusions.....	43
---------------------	----

## 1. Introduction

### 1.1. General information about the Project

The Project LOCAL4GREEN, financed under Interreg MED Programme, supports local authorities to define and implement local fiscal policies, innovative and intended to promote renewable energy sources in all sectors (public, private, households), mainly in the framework of the SEAPs (Sustainable Energy Action Plans submitted under the 2020 Covenant) and SECAPs (Sustainable Energy and Climate Action Plans to be submitted under the 2030 Covenant) adopted by the signatories of the Covenant of Mayors.

The project addresses the Priority Axis 2: Fostering low-carbon strategies and energy efficiency in specific MED territories: cities, islands and remote areas, and the Specific Objective 2.2: To increase the share of renewable local energy sources in energy mix strategies and plans in specific MED territories: rural areas and islands. In these kinds of territories, where local authorities have economical and technical constraints, renewable energy sources promotion plans should prioritize collaboration and active roles for public and private sectors.

The project has been implementing a pilot experience in local authorities of 9 countries/regions of the MED area (Spain, Portugal, Italia, Cyprus, Malta, Greece, Slovenia, Albania, Croatia), where local fiscal policies play a crucial role to raise the share of renewable energy sources.

The pilot includes the participative design, implementation, monitoring and evaluation of local fiscal policies to promote renewable energy sources.

In addition, the project will facilitate capitalization of the best practices and application in other municipalities, at national and transnational levels, since models of green local fiscal policy will be elaborated and disseminated as well as technical support will be provided. In this way, the project will provide to local authorities with fiscal policy models to be included in their own strategies and plans.

The activities planned for this project are listed below:

- Elaboration of a participatory methodology to prepare green, local tax policies to promote renewable energy sources;
- Implementation of a web platform for access to public data on the impact of the project;
- Design and implementation of local fiscal policies to promote renewable energy sources;
- Development of tools to transfer local fiscal policies to promote renewable energy sources;

- 
- Implementation of a plan for the transferability of local green tax policies;
  - Implementation of an international transferability plan for green fiscal policies.

Once concluded the phases of designing, implementation and monitoring of the fiscal policies as well as the evaluation of the pilots and the fiscal policies, each partner has to elaborate a national handbook on green local fiscal policy models.

The present document is the national handbook of the Albanian partner. The national handbook will be used by MUSOL foundation to prepare an international handbook on green local fiscal policy models.

The handbook is not meant to be authoritative nor exhaustive in terms of the duties and tasks that need to be performed by the partners, but rather to provide an overview of the most common tasks and challenges in the work of the Portuguese partner and hopefully to achieve the objective of communicating and sharing the experience and good practice with all European regions.

## 1.2. Duration

The project has a duration of 30 months, from 1st November 2016 till 30th October 2019.

## 1.3. Co-financing

The LOCAL4GREEN project is related to the implementation of green policies and green taxation in municipalities of Europe for the financing and wider promotion of RES systems on their territory.

The project has a total eligible budget of 2,013,423.15 €. The co-financing rate is 85%, so the contribution of Interreg MED Programme to the project is 1,711,409.70 €.

The co-financing comes from the European Regional Development Fund, except in the case of Albania, that comes from funds of the Instrument for Pre-Accession Assistance.

## 1.4. Partners

The project is being implemented in 9 countries/regions of the MED area: Albania, Croatia, Cyprus, Greece, Italia, Malta, Portugal, Slovenia and Spain. The project partners are:

## Shoqata e Bashkive të Shqipërisë

- Valencian Federation of Municipalities and Provinces (VFMP), Lead Partner, and MUSOL Foundation (MUSOL), from Spain.
- Malta Intelligent Energy Management, MIEMA, from Malta.
- North-West Croatia Regional Energy Agency, REGEA, from Croatia.
- Development Agency of Eastern Thessaloniki's Local Authorities, Centre for the Development of Human Resources and the Support of Local Economy (ANATOLIKI S.A), from Greece.
- National Association of the Italian Municipalities – Lazio (ANCI LAZIO), from Italy.
- Building and Civil Engineering Institute ZRMK (GI ZRMK), from Slovenia.
- Cyprus Energy Agency (CEA), from Cyprus.
- University of Algarve (UAlg), from Portugal.
- Association of Albanian Municipalities (AAM), from Albania.



Figure 1 LOCAL4GREEN Partners

---

The LOCAL4GREEN project also has associated partners, namely:

- Gozo Development Agency – Gozo Regional Committee (GDA) – Malta;
- Municipality of Kamnik – Slovenia;
- Local Energy Agency of Gorjenska – Slovenia;
- Municipality of Kocevje – Slovenia;
- Regional Agency of Energy and Environment of the Algarve (AREAL) – Portugal;
- Municipality of Loulé – Portugal;
- Municipality of Faro – Portugal;
- Interdepartmental Centre for Research and Dissemination of Renewable Energy – University of Tuscia (CIRDER) – Italy;
- Municipality of Formello – Italy;
- Municipality of Olevano Romano – Italy;
- Business Innovation Centre of Valencia – Spain;
- Community Council of Lythrodontas - Cyprus;
- Nicosia Municipality – Cyprus;
- Aradippou Municipality – Cyprus;
- Municipality of Thermi – Greece;
- Ribera Consortium (RIBERA) – Spain.

## 2. Albania, as part of MED

Albania is situated in South-East Europe, in the Western Balkan, with a total surface of 28,748 km<sup>2</sup> and a borderline of a length equal to 1094 km, of which 657 km are land borderline and 316 km coastline, and 48 km are borders of rivers and 73 km of lakes.



## Shoqata e Bashkive të Shqipërisë

Albania is bordered to the south and south-east with Greece, to the north of Montenegro, to the west with Italy, divided by the Adriatic Sea and the Ionian Sea, east of North Macedonia and north-east with Kosovo.

According to Article 13 of the Constitution, local government "is based on the principle of decentralization of power and exercised according to the principle of local autonomy". In the sixth section on local government (Articles 108 to 115), the Constitution states that municipalities and regions are local government units. Albania's local government consists of 12 regions and 61 municipalities.

The municipal decision-making body is the municipal council, while the executive power is represented by the mayor. The councilors and the Mayor are elected by direct vote for a four-year term.

The regions are not full self-governing entities as they are not directly elected but emerge from their constituent municipalities. However, they have their own budget and administration, though with limited responsibilities. Municipalities delegate members to the regional council in proportion to their population. Mayors are always members of the regional council. Other members are elected by the municipal councilors.

Following its application for EU membership in 2011, Albania undertook new initiatives to advance the decentralization process, including territorial and administrative reform in 2014 (Law No. 115/2014 "On Administrative-Territorial Division of Local Government Units in the Republic of Albania", the Cross-cutting Strategy for Decentralization and Local Governance 2015-2020 and the new Law on Local Self-Government No. 139/2015 which further details the organization and functioning of local government units.

Finally, another step towards decentralization was marked in 2017 with the adoption of the new law on local finances no. 68/2017. This new law is the first comprehensive law on local government finances that brings all the principles and procedures regarding local government revenue sources, expenditure management, and related intergovernmental dialogue and consultations.

Territorial reform of 2014 reduced the number of LGUs from 373 (308 municipalities and 65 municipalities) to 61 new municipalities. The average size of municipalities in terms of population increased from 8,700 inhabitants to 47,150. There is still a large discrepancy between the new municipalities, from the smallest municipality with 3 290 inhabitants to Tirana with 763 297 inhabitants in 2017. Municipalities are divided into administrative units that have traditional, historical, economic and social ties, all of which are former communes and municipalities. Administrative units include cities and villages. Cities can be further divided into neighborhoods. So far, 61 municipalities include 72 cities and 2995 villages. The administration of these units is part of the municipal administration and is run by an administrator, appointed and dismissed by the Mayor.

## Shoqata e Bashkive të Shqipërisë

Regions as part of the local government were established in 2000. Their average size is 240,000 inhabitants, but there are large differences between Gjirokastra with 66,000 inhabitants in Tirana with more than 860,000 inhabitants, or 30% of the national population. Tirana Region is followed by regions of Durres, Elbasan and Fier.

Out of 61 municipalities, 17 are border crossings and 11 have sea coast, yet economic development and mountain or seaside tourism is not as developed.



Figura – Harta administrative e Shqipërisë.

---

LOCAL4GREEN project in Albania is focused on three pilot municipalities, Lezha, Vau i Dejës and Kukës. The results achieved in these municipalities will be distributed by the Association of Municipalities in all other municipalities.

### 3. National Handbook for Fiscal Green Fiscal Policy Models

The National Handbook for Fiscal Green Fiscal Policy Models presents a summary of the work that has been carried out by the Albanian Association of Municipalities as a project partner with pilot municipalities.

This document on the local fiscal fiscal policy models aims to summarize the local fiscal fiscal policies that have been drafted in co-operation with the project and subsequently approved by the pilot municipalities. The main sources of information for drafting this document are the fiscal policy evaluation reports as well as the data received from the municipalities.

The guidelines prepared by each project partner will be summarized in an international guideline to provide support to other municipalities that are interested in implementing new local fiscal policies aimed at promoting renewable energy sources.

#### 3.1. Objectives

The objectives of the national handbook on green local fiscal policy models are to:

- Outline policy models transferrable at a national level, based on pilots' experiences and best practices.
- Provide national decision makers with all information (legal, economical, technical, etc.) needed to Implement the green local fiscal policy models in other municipalities.
- Provide the project with best practices on green local fiscal policies to be included in an international handbook and transferred at international level.

#### 3.2 Target groups

To achieve its objectives, the national handbook on green local fiscal policy models has the following target groups:

- 
- Local authorities' employees and decision makers;
  - Consultants specialized in public management;
  - National and regional authorities' decision makers;
  - Other stakeholders interested in advocacy for renewable energy sources in Local Authorities.

#### 4. National regulations regarding the local fiscal policies

The resources available to local government units in Albania, and indeed in each country, are limited to meeting all local community needs and priorities. Over time, these resources are added as local government units improve local tax and tariff management. Approved periodic reforms can also provide new sources of funding for local government units.

The fact is, however, that local government resources will always be limited to the needs and priorities of the local community, but the ability of a local government is to find the right balance to balance service levels and the readiness of citizens to paid.

Ensuring financial autonomy is a guaranteed principle through the constitution and other legal provisions, including Law no. 9632/2006 on Local Taxes, Law no. 9896/2008 on local borrowing and new law 68/2017 on local finances. This new law, adopted in April 2017, shows that fiscal decentralization remains an essential part of the reform agenda.

Municipality's income from taxes consisted of separate taxes and local taxes. Separate taxes include 97% of the proceeds from the transfer of ownership rights, 25% of motor vehicle tax revenues, 5% of mineral rent income and 2% of motorway tax personal incomes.

Local tax revenues include property tax, small business tax, and other taxes. Property tax is the most important local tax. Other local taxes are tax on infrastructure impact from new construction, table taxes, tax on donations, inheritance and local lotteries.

Municipalities can collect fees for public services. Tariffs should be geared to covering the cost of the services provided, whose consumption is measurable. The main tariffs are related to the occupation of public space, collection and removal of waste, water supply and sewage, irrigation and drainage, licenses and permits and authorizations.

Below we will describe all types of taxation and local tariffs.

## 4.1 Shared taxes

Shared taxes in the context of Albanian legislation are those national taxes, whose revenues are shared with local governments. The administrator of this tax transfers the percentage set by law to local government accounts, but only after being paid by the taxpayer. The municipality is free to use this amount for its own needs.

This chapter presents the national distributed taxes referred to in Law no. 9632, dated 30.10.2006 "On the Local Taxes System" as amended, Law 68/2017 "On Local Finances" considering the amendments to the 2019 Draft Budget.

National taxes that are shared with local government units include:

1. Vehicle tax;
2. Mineral rent;
3. Personal Income tax.

### 4.1.1 Vehicle tax

This tax is determined according to the formula:

Power engine in cm<sup>3</sup> x fixed coefficient by age x fixed rate for fuel type.

Fixed tax on fuel type is 12.5 Lek per petroleum and 10 Lek per gasoline. Vehicles from 0-3 years are not subject to this tax.

Tax revenue and penalties are collected by the General Directorate of Road Transport Services. Revenues from this tax are distributed according to the procedures determined by the Council of Ministers decision, of which 5% go to the structures of the General Directorate of Road Transport Services and 25% to the local government budget and the rest to the State Budget.

### 4.1.2. Mineral rent

This tax is paid by any natural or legal licensed person operating in the mining industry. Under a contractual relationship with the Minister responsible for the economy, this entity must pay the mineral rent for the

---

natural resources that is issued in the territory of the Republic of Albania. Mineral rent is calculated as a tax payer's monthly liability. 5 percent of the revenues from the rent of mines belongs to the municipality where the activity takes place. Mineral rent revenues are used for investments for local government units.

In the case of mineral rent in percent, this tax is calculated by multiplying the value of the product (excluding VAT) by the percentage of the rent. When applying rent based on a certain price, its amount is calculated by multiplying the sales amount of the product at the value of the mining rent.

#### 4.1.3 Tax on personal incomes

The tax on personal income is calculated on the incomes of individuals. The resident individuals are subject to the tax on personal income during the tax period, for all sources of incomes.

The non-resident individuals are subject to the tax on personal income during the tax period, for sources of incomes, arising in the territory of the Republic of Albania.

The taxable incomes are:

- 
- Salaries and other remunerations related to current labor relationships;
  - Incomes derived from the profits of a partner or shareholder in the company;
  - Revenues from bank interests or bonds;
  - Incomes derived from copyright and intellectual property;
  - Incomes from emphyteusis, loans and leases;
  - Proceeds from the transfer of the right of ownership of immovable property;
  - The amount of income from games of chance and casinos;
  - Incomes derived from the difference between the sales price and the purchase price of the shares or stocks that a shareholder or partner owns and sells to another person;
  - Revenues in the form of cash to the increase of capital deriving from sources outside of the company, which are not taxed earlier, while they have been subject to tax and that are not accompanied by official documents proving the origin of these funds. The procedures are determined with the Guideline of the Minister of Finance;
  - Other incomes not identified on the presented forms.
-

Based on Law no. 68/2017 "On the finances of local self-government", Article 25 paragraph 2, the revenues collected by the Regional Tax Department for personal income tax shall be shared with the local self-government units and 2% of the income from this national tax is transferred to the municipality.

The impact of each of these taxes to the municipal budget is as follows

- a) 25% of revenues from the used vehicle circulation tax;
- b) 5 % of revenues from the mineral rent as sanctioned in the law "On National Taxes";
- c) 2% of the yield of the Personal Income Tax.

Revenues generated from shared taxes are transferred to the municipal budget within the last day of the subsequent month.

## 4.2 Local taxes

Local self-government units shall create and maintain a register of all the taxpayers' liable to pay local taxes and fees, based on categories of fiscal liabilities, including fiscal abatements or exemptions for specific categories of taxpayers. The form and coding of the register is determined by the Ministry of Finance. Statistical information on such register is shared with the ministry of finance at least once a year. The base of all taxes and fees, as well as their rates and levels, any exemptions or abatements, their payment schedules, and the applicable fines and penalties must be published and made available to the public.

Local taxes include:

1. Local taxes on the economic activity of small businesses;
2. A Tax on Immovable Property, which includes a tax on buildings, a tax on agricultural land and tax on urban land, as well transactions conducted on them;
3. Hotel Accommodation Tax;
4. Tax on the infrastructure impact of new buildings;
5. Tax on transactions conducted on real estate;
6. Tax on billboards;

### 4.2.1 Local taxes on the economic activity of small businesses

Every taxpayer, who conducts a business that, during the fiscal year, generates a turnover of less than or equal to 8.000.000 (eight million) ALL, is liable to simplified income tax payment for the small businesses. The total of incomes generated by the small businesses implies every kind of income produced during the

taxable period and includes, not only but also income produced by the supply of goods or services; income gained from the participations; income on interests; income from the utilization of movable and immovable assets.

For taxpayer subject to the simple income tax for small businesses, with a turnover from 2 to 8 million ALL, the tax rate on taxable profit shall be of 7.5%. The taxpayers with a turnover up to 2 million ALL do not pay this tax, they pay a simplified tax.

The Central Tax Administration transfers the income from the simplified tax on small business profits to the account of municipalities where the taxable business is located, within the 10th day of the following month, when the taxes are collected.

#### 4.2.2 Tax on real estate

Real estate taxes include:

- a) taxes on buildings;
- b) taxes on agricultural land;
- c) tax on land.

Taxes are calculated as an annual taxpayer liability. If taxable property is created, disposed of, or owned on within that period, the taxpayer's liability is calculated proportionally only for the period of ownership. The municipal council decides on the level of tax that will apply to each minimum category of tax base, at plus-minus 30 percent of the indicative level of tax for that category.

#### 4.2.3 Tax on buildings

Taxes on buildings shall be subject to individuals, natural or legal persons, domestic or foreign, owners or users of immovable property in the territory of the Republic of Albania, regardless of the level of use of these buildings, unless otherwise provided by this Law.

The building tax rate, which is applied as a percentage of the tax base, is as follows:

- a. 0.05% for the building used, used for housing;
- b. 0.2% for the building used, used for economic activities;
- c. 30% of the tax rate applicable to the entire construction site for which the developer has been granted a construction permit and has not been able to complete it within the time limit set in the act approving the construction permit application.



#### 4.2.4 Tax on agricultural land

The tax base on agricultural land is the area of agricultural land, per hectare, owned by the taxpayer. The area of land owned is determined by the documents that prove it. In case of lack of ownership documentation, the user of the agricultural land makes a self-declaration of the surface of the agricultural land near the municipality where the land is located. For each minimum category of agricultural land, the municipal council may adopt subcategories. The level of tax is set in ALL per hectare. The tax liability is calculated as a multiplication of the tax level with the taxable basis. Agricultural land that is planted with fruit crops and viticulture for the first five years from the moment of planting is exempt from tax. The tax collected in support of this law is paid to the budget of the municipality in which the taxable property is located.

Categories of Agricultural Land	1	2	3	4
I	5 600	4 200	2 800	1 400
II	4 900	3 500	2 100	1 200
III	4 200	2 800	1 400	1 100
IV	3 600	2 300	1 350	1 000
V	3 000	1 900	1 250	900
VI	2 400	1 600	1 200	800
VII-X	1 800	1 400	1 100	700

Table: Level of tax in LEK/year/ha of agricultural land

#### 4.2.5 Tax on land

The tax base on the land is the area of the land, in square meters, owned or used by the taxpayer. The area of land owned is determined by the documents that prove it. In case of lack of ownership documentation, the land user makes a self-declaration of the land area in use, near the municipality where the land is located. For each minimum category of land, the municipal council may adopt subcategories. The level of tax is set in lek per square meter. The tax liability is calculated as a multiplication of the tax level with

---

the taxable basis. The tax collected in support of this law is paid to the budget of the municipality where the taxable property is located.

#### **4.2.6 Hotel accommodation tax**

The basis of the hotel tax is the price of accommodation, per room per person or per night, as appropriate. The tax rate is up to 5% of the price of the accommodation. The tax liability is calculated as the tax rate set by the municipality for the price of the accommodation and the number of nights at the hotel. The tax liability is due to the client staying at the hotel, a liability that the hotel assumes on behalf of the municipality in whose territory it is located. The hotel bill states the price of the accommodation and the value of the tax.

#### **4.2.7 Tax on impact on infrastructure**

The basis of this tax is the value in lek of the new investment required to be made. The classification as a new investment and its related values are determined in accordance with the legislation in force for the issuance of the building permit. The tax rate is expressed as a percentage of the investment value and is 1 to 3 percent of this value, except for the Municipality of Tirana where the value is 2 to 4 percent of the investment value. For buildings undergoing legalization, the impact on new construction infrastructure is 0.5 percent of the investment value. The investor is responsible for this tax.

#### **4.2.8 Tax on billboard**

The billboard tax applies to all entities that place billboards, mobile or stationary, to identify their activity or for advertising purposes of their activity, or for third parties, which are placed on the front view of the location of the activity, or within the common territory in shopping malls, or in spaces outside the location of the business, whether public or private.

Placing a sign for identification is an obligation for all subjects, except ambulatory businesses. Directorate of Territorial Development Control drafts the plan for possible placement of billboards for advertising, being simple or electronic.

#### **4.2.9 The tax on the transfer of ownership of immovable property**

The tax on the transfer of ownership of immovable property is levied on buildings and all immovable property when the transfer of ownership occurs. The tax is paid by the person who passes the ownership right over the immovable property, before the registration is performed, in accordance with the legal acts in force.

The basis of the tax on the transfer of ownership rights to buildings is the surface of the building whose ownership is transferred. The tax base for the transfer of ownership rights to other immovable property is the value of their sale. The tax rate is set in percentage and the indicative tax rate is 2%. The tax liability is calculated as a multiplication of the tax rate by its basis.

The collection of this tax is done by the real estate registration offices, which, in the role of the tax agent, receive 3 percent of the amount collected and the difference is paid on behalf of the respective municipality budget, in the territory of which it is located, property not later than the 30th of the following month.

#### 4.2.10 Temporary local taxes

When deemed necessary, the Municipal Council imposes taxes of a temporary nature, in the general interest of the community, within the territory within its jurisdiction. The basis for calculating the provisional tax for each taxpayer is the taxpayer's real estate tax value in the territory of the local self-government unit. The level of provisional tax cannot be higher than 35 percent of the taxpayer's real estate tax base. The provisional tax may not be applied for more than three years after its entry into force.

Provisional tax revenue may only be spent for the purposes set out in the decision of the local government unit that approves the tax and may not be considered as recurrent income in calculating the debt ceiling of local government units. Local self-government units may not apply more than two provisional taxes during one budget year.

### 4.3 Local tariffs

Local tariff is a charge that an individual, natural or legal person pays in exchange for a specific service received, a specific public good used or a right provided by the local government unit. The level of the tariff is oriented towards covering the cost of the public service provided by the local government unit.

Municipalities generate revenues from local tariffs for:

- a) the public services they provide;
- b) the right to use local public property;
- c) the granting of licenses, permits, authorizations and other documents for which they have full authority, unless otherwise provided by law;
- d) any other provisional charges, in accordance with the circumstances prescribed by law.

#### 4.3.1 Tariff on occupation of public space

Local self-government units may impose the following fees for the use of public space:

- 
- Utilization of space in public areas or in front of business premises for business purposes, including
  - outdoor tables for cafes and restaurants;
  - Using advertising billboards;
  - Using parking spaces for road motor vehicles;
  - Using areas for camping, setting up tents or other facilities for temporary use;
  - Using waterfront areas for business and any other purposes;
  - Commercial signboards placed outside the business premises on facilities and areas owned by the local self-government unit (roadways, pavements, green areas, poles, etc.);
  - Keeping and using navigable equipment and vessels, and other facilities in rivers and lakes;
  - Restaurants and other catering and entertainment facilities on rivers and lakes;
  - Using public space to house road motor vehicles and trailers excluding agricultural vehicles and machinery;
  - Using public space for keeping construction material;
  - Other local fees that may be set with a decision of the local self-government unit council.

The imposition of fees must be made according to the location where the activity is undertaken, on which the fee is being charged, and the objective and visible characteristics of individuals, legal or physical persons undertaking the activity.

The municipal council determines the fee level, for all zones and users, including abatements and exemptions, and deadlines and methods of fee payment.

#### **4.3.2 Tariffs on public services**

##### **Fee on waste collection and disposal**

The fee for waste collection and disposal applies to all families, natural or legal persons, local or foreign, who reside and exercise economic activity within the territory of the Municipality. Levels of waste cleaning and disposal fees are set by the municipal councils.

##### **Fee on water supply**

Tariffs for water supply are subject to all households, natural or legal persons, local or foreign, who reside and exercise economic activity within the territory of the Municipality. These tariffs apply to the following categories: free flow water meter, no meter, water meter supply, mechanical lift water supply, no meter and irrigation water.

##### **Parking fee**

---

The fee for parking vehicles in public parking and the fee for accommodation of licensed vehicles - tax is determined depending on the categories of vehicles (buses, taxis, vehicles etc.).

### Fee on Vet services

This fee is a fixed fee applied by the veterinary service to all meat shops and the livestock market.

#### 4.3.3 Local fees for administrative services

The local self-government unit council may charge fees to produce official documents from the local self-government unit. If the allowable level of these fees is not specified in other legislation, then these fees must reflect the actual costs of the service for which they are being paid.

## 4.4 General overview on municipal budgets

The incomes from own revenue sources<sup>1</sup> are essential for good and independent local government. In the local budget, this revenue category accounted for about 29.1% of total financial resources in 2018. Compared to a year earlier, this ratio improved slightly by about 2.3 percentage points to about 3.1 percentage points above the long-term average.

This improvement is estimated to have been influenced by several factors, such as the increase in the level of local taxes and tariffs in some municipalities and the potential improvement in the rate of revenue collection (using UK enterprises as tax agents). In nominal terms, at the end of 2018, revenues from own sources (local taxes and tariffs, assets and other activities) recorded a value of about ALL 24.2 billion, up by about 19.1% yoy, about 3.9% billion higher than the level recorded the previous year.

Tax revenues represent an important financial source in the structure of own source revenues. In 2018, local taxes contributed about 59.7% to local source revenues, a ratio of about 4.8 percentage points below the long-term average (of about 64.5%). In nominal terms, local tax revenues recorded a level of about ALL 14.5 billion, up by about 14.1% in annual terms.

The following is a synthetic presentation of the local revenue generation of the pilot municipalities of Lezha, Kukës and Vau i Dejës.

---

<sup>1</sup> <http://financatvendore.al/pub/raporte>

Municipality	Total incomes	Total of shared taxes	Total of local taxes and fees	Small business tax	Hotel accommodation tax	Tax on transfer of ownership	Tax on impact on infrastructure	Tax on building	Tax on agriculture land	Tax on land	Tax on billboard	Tarif on administrative services	Tarif on occupation of public services	Tarif on public utilities*
Lezha	3 005 423	91 639	824 266	26 020	19 615	19 578	243 793	114 061	13 116	-	4 711	82 723	105 326	124 552
Kukës	2 325 700	36 714	220 702	4 186	-	496	1 264	50 633	26	-	4 594	42 316	33 915	80 865
Vau i Dejës	1 729 642	17 807	283 954	1 569	45	133	12 560	41 111	33 083	65	955	67 037	24 851	92 390

*Table: Contribution of local taxes and tariffs on municipal budget for 2018 in thousands lekë*

## Shoqata e Bashkive të Shqipërisë

As can be seen from the table above, the municipality of Lezha is the one that provides the highest income from the three pilot municipalities, the contribution of taxes and fees to the local revenue is 27% for the municipality of Lezha, 9% for the municipality of Kukës and 16% for the municipality of Vau i Dejes.

Regarding local taxes and tariff revenues, in the municipality of Lezha, the contribution of the tax on infrastructure impact has increased by 30%, followed by the building tax by 14%, the tariff for occupying public space by 13%. Meanwhile, in the Municipality of Kukës, the biggest contribution is the tariff for local public services with 37%, followed by the building tax 23% and the administrative service tariff by 19%. In Vau i Dejes municipality, the main contribution is from public services tariffs by 33%, followed by administrative service tariffs by 24% and building taxes by 14%. What is noticed is that the municipality of Kukës did not collect income from the hotel tax and land tax, and even the municipality of Lezha did not collect the land tax.

## 5. Description of Fiscal Policies of Pilot Municipalities

### 5.1 Lezhë Municipality

#### General overview

Lezha is bordered to the north with the municipalities of Vau i Dejes and Puka, west of the Adriatic Sea, in the east with the Municipality of Mirdita and in the south with the Municipality of Kurbin. The city of Lezha is the administrative center of the municipality.

According to the Civil Registry, this municipality counts 106,245 inhabitants. With a surface of 509.1 km<sup>2</sup>, the Municipality of Lezha has a density of 208.69 inhabitants / km<sup>2</sup> according to the data of the Civil Registry

This municipality consists of 10 administrative units, which are: Lezha, Shëngjini, Zejmeni, Shënkolli, Balldreni, Kallmeti, Blinishti, Dajçi, Ungreji dhe Kolshi. All these units are currently part of the district of Lezha and of the same district. The municipality has under its administration two cities (Lezha and Shengjin) and 65 villages.



### *Territorial map of Lezhë*

Currently, the economy in the city is diversified, but relies on trade and services, sectors that employ the largest number of Lezha inhabitants. In recent years, the fish processing industry in the Lezha region has recognized the largest investments in the country about the establishment of fish establishments.

The advantageous geographic position enables access to agricultural, agri-cultural, livestock and fisheries, which also affect the economic potential and employment growth in the municipality.

However, part of the territory of Lezha continues to be threatened by floods, which cause considerable damage occasionally.

The municipality has in its territory the city of Shengjin and a long coast line, which starts from the protected natural reserves of Mat Coast and Kune-Vain-Tales to the rocky beaches in the north of Shengjin. A part of the coast has not escaped concreting, while in this coastal line there are still virgin beaches, which need to be protected.

The main challenge of Lezha Municipality is the sustainable development of tourism through environmental protection. To increase the touristic offer for its visitors, Lezha will have to protect and promote its rich cultural, historical and archaeological heritage. Tourism investments along the coast of Shengjin and the lagoon of Kunas need to be harmonized by taking measures to clean up the coastline and stop the erosion. The scope of cleaning service throughout the new municipal territory is indispensable, just as cleaning of the Drin and Mat estuaries from waste.

The municipality needs to support small crafts and tradeshow enterprises as well as economic empowerment of young people, women and girls through their involvement in the enterprise.

Incentives and local fiscal facilities for new businesses for processing livestock and livestock products in Lezha and the improvement of infrastructure in all areas is another challenge for the harmonized development of the Municipality.

### **Proposed fiscal policies**

The Municipality of Lezha has introduced some specific measures to encourage inhabitants and businesses to use photovoltaic installations for electricity production as well as using hybrid and electrical cars, as part of the Fiscal Package and Budget of 2019. Measures are as follows:

- 30% reduction on the taxation level of Tax on Buildings for families and businesses;
- 30% reduction on Local Services Fees for businesses;
- No Parking fees charged for hybrid and electric cars.



## Assessment of the financial impact of fiscal measures

### Tax on Buildings

The Albanian municipalities generate an important source of income from immovable property taxes. Currently, Albania collects less than 0.3% of GDP from property tax which makes it suboptimal and the lowest source of income in European countries. However, the latest law on local taxes implemented by parliament seeks to modernize the fiscal revenue for the Albanian municipalities by increasing own source of revenue from immovable property taxes. The new fiscal law passed in November 2017 establishes that property tax will be implemented on a marked value-based tax.

This legal amendment was followed by the approval of the Council of Minister Decision no. 132 dated 7 March 2018 on the “Methodology for the Evaluation of the Taxable Value of the Real Estate Property”, on the definition of tax base for specific categories and rules on alternative assessment. The Methodology approved reference values per square meters per each municipality. The value of the tax is 0.05% annually per square meter of the real market value, but not less than the reference price as indicated in the methodology. According to Law No 68/2017 “Local Self-Government Finance Law” Article 12.5 “local municipality council decides on the value of immovable property tax +/- 30% from an indicated value for each category”.

As it can be seen in Table below, the Municipality of Lezha proceeds from tax on building show a fluctuating trend in absolute terms for the period 2016-2018. Also, its share on the total revenues collected from local taxes and fees has a similar path for the same period. However, the Municipality of Lezha, in its Medium Term Budget Program Document for 2019-2021 expects that revenues from tax on buildings will increase from 2019 onwards in both nominal and relative terms.

Tax	2016	2017	2018	2019	2020	2021
	Fakt	Fakt	Fakt	Plan	Plan	Plan
Revenues form tax on buidings	41,886	48,976	45,683	68,488	73,967	79,885
Share	13.6%	13.8%	10.6%	9.8%	10.4%	10.9%
<b>Revenues from taxes and fees (Total)</b>	<b>307,365</b>	<b>355,972</b>	<b>432,428</b>	<b>697,013</b>	<b>711,681</b>	<b>731,285</b>

**Tabela:** Revenues from tax on buiding for 2016-2021 (in thousands LEK)

Soruce: [financa.gov.al](http://financa.gov.al); [financatvendore.al](http://financatvendore.al)

This increase is mainly due to the implementation of the new taxation model, as explained above. And this statement is confirmed by the below analysis.

## Shoqata e Bashkive të Shqipërisë

According to the draft-budget 2018 document published by the Municipality of Lezha <sup>2</sup>, the number of taxable buildings for dwelling purposes is 22,543 with an average space of 98 sqm and an average property price of 40,200 ALL sqm. On average, a family would save up to 590 lek annually from this tax relief.

Also, the number of businesses that operate in this municipality is around 2563, with an average space of 90 sqm and an average property price of 60,300 ALL sqm, 1.5 times higher than the price for dwelling purposes as prescribed by the methodology that is currently in force. In this case, a business would save up to 3,256 lek annually from this tax relief.

The results given in table below, do confirm to a large extent the estimations of the Municipality of Lezha about this tax. However, there might be a margin of error of +/- 5 to 10% owing to the exact number of families and average space for each category.

Categories	No. of buildings	New Taxation Method			
		Average Surface (square meters)	Average Price (ALL per one square meter)	Tax Level	Annual Revenues (in ALL)
Families	22,543	98	40,200	0.05%	44,405,201
Businesses	2,563	90	60,300	0.2%	27,818,802
<b>Total</b>					<b>72,224,003</b>

*Table: Estimation of Revenues from Tax on Buildings with the new taxation method*

In calculating the potential losses from the 30% reduction on the nominal tax levels for both family and business categories, we have estimated three potential scenarios as follows:

Low Case - 1% of families and businesses use energy from renewable resources

Categories	No. of Buildings	Average Surface (square meters)	Average Price (ALL per one square meter)	Old Tax Level	Proposed Tax Level	Annual Revenues Loss (in ALL)
Families	2254	98	40,200	0.05%	0.04%	133,215

<sup>2</sup> [http://www.lezha.gov.al/web/projekt\\_buxheti\\_2018\\_dhe\\_pba\\_2018\\_2020\\_2756.pdf](http://www.lezha.gov.al/web/projekt_buxheti_2018_dhe_pba_2018_2020_2756.pdf)

### Shoqata e Bashkive të Shqipërisë

Businesses	256	90	60,300	0.2%	0.14%	83,456
<b>Total</b>						<b>216,672</b>

### Public Services Fees

Revenues from local services fees provided an average of 11.8% of the total revenues from taxes and fees for the 2016-2018 period and Municipality of Lezha foresees for the 2019-2021 to maintain the same share.

Tariff	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Plan	Plan	Plan
Revenues from the fee on public services	34,780	40,085	55,465	83,925	83,925	83,925
<i>Share</i>	<i>11.3%</i>	<i>11.3%</i>	<i>12.8%</i>	<i>12.0%</i>	<i>11.8%</i>	<i>11.5%</i>
<b>Revenues from taxes and fees (Total)</b>	<b>307,365</b>	<b>355,972</b>	<b>432,428</b>	<b>697,013</b>	<b>711,681</b>	<b>731,285</b>

**Table:** Revenues from the public services fee for 2016-2021 (in thousands LEK)

Source: [financa.gov.al](http://financa.gov.al); [financatvendore.al](http://financatvendore.al)

To assess the impact on the budget of the Municipality of Lezha of the proposed relief, we carried out a similar type of analysis performed on the tax on buildings above. As mentioned on the draft-budget of 2018 prepared by the Municipality of Lezha, the families contribute up to 62% of the total revenues from this fee, whereas businesses provide the remaining 38%. On average, a single business would gain up to 2,470 ALL on a yearly basis from the fee relief.

As shown in Table below, the losses in the three scenarios taken into consideration are very small compared to the total revenues expected from these fees, ranging from 0.07%. If we would add the fact that the Low Case scenario would take 3 years or more to materialize, after the relief, the losses incurred throughout this time would be insignificant.

	No. of businesses that benefit from the relief	Fee level (in LEK)	Reduced fee (-30%)	Annual losses (in Lek)
Assumption (1%)	25,6	8,223	5,756	<b>63,229</b>

### Parking fee

The parking fee in public spaces is paid by all vehicles making use of the predefined areas owned by the Municipality and used for parking. Current fee rates vary from 50 lek/hour for small vehicles to 100 lek/hour for busses and other transport vehicles. As mentioned above, all hybrid and electric vehicles will benefit free parking in public spaces in the Municipality of Lezha.

Revenues from parking fees for the 2016-2018 period have had a very small share against the total revenues generated from taxes and fees. Municipality of Lezha expects that this share would be even lower in the 2019-2021 with an average 0.1%. Given that the number of cars that are either hybrid or electric is quite small, the potential losses on the revenues from this parking fee relief would be insignificant.

Tariff	2016	2017	2018	2019	2020	2021
	Fakt	Fakt	Fakt	Plan	Plan	Plan
Revenues from parking fee	1,154	601	967	600	600	600
Share	0.4%	0.2%	0.2%	0.1%	0.1%	0.1%
<b>Revenues from taxes and fees (Total)</b>	<b>307,365</b>	<b>355,972</b>	<b>432,428</b>	<b>697,013</b>	<b>711,681</b>	<b>731,285</b>

**Table: Revenues from parking fee for 2016-2021 (in thousands LEK)**

### Estimated energy savings and gases that will not be emitted

Family category			
Number of houses	22,543		Source: Municipal Council
1% of households	225		So, being optimistic, we made an assessment: 1% of households receive this bonus.
The power installed in each of these houses	5	Kw	We assume an average of the power installed in each of the homes
MWh annual data for MW in Lezha	1,487		This is the production schedule of an object in Lezha area per year. Source: Albanian Institute of Weather
Average household consumption in Albania	8,400	KWh	

### Shoqata e Bashkive të Shqipërisë

The emission factor of the electricity issue for Albania	0.009	kg CO2 eq/kWh	Source: <a href="https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf">https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf</a>
We calculate:	7,435	kWh/year	
	<b>1,672,875</b>	<b>kWh</b>	kWh that become renewable
	<b>15,056</b>	<b>kg CO2 eq</b>	kg CO2 eq that is not emitted annually
<b>Business category</b>			
Number of businesses in 2018 (big and small)	2,563		Source: Municipal Council
1% of businesses	25		Being optimistic, we made an estimate: 1% of businesses are eligible for this bonus.
Installed power	20	kW	We assume an average of installed power in businesses.
MWh annual data for MW in Lezha	1,487		This is the production schedule of an object in Lezha area per year. Source: Albanian Institute of Weather.
The emission factor of the electricity issue for Albania	0.009	kg CO2 eq/kWh	Source: <a href="https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf">https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf</a>
We calculate:	29,740	kWh/year	
	<b>743,500</b>	<b>kWh</b>	kWh that become renewable
	<b>6,692</b>	<b>kg CO2 eq</b>	Kg Co2 that are not emitted annually
<b>Vehicles</b>			
The average consumption of a combustion engine	143	g CO2/km	
Average consumption of an electric vehicle	60	g CO2/km	Source: European Environment Agency
Car Traveling	7,000	km/year	Assumption

### Shoqata e Bashkive të Shqipërisë

Number of cars per 1000 inhabitants	175		<a href="http://www.instat.gov.al/media/3595/vje-tari-statistikor-rajonal-shqip-2017-dt13112017.pdf">http://www.instat.gov.al/media/3595/vje-tari-statistikor-rajonal-shqip-2017-dt13112017.pdf</a>
Number of cars	18,500		<a href="http://www.instat.gov.al/media/3595/vje-tari-statistikor-rajonal-shqip-2017-dt13112017.pdf">http://www.instat.gov.al/media/3595/vje-tari-statistikor-rajonal-shqip-2017-dt13112017.pdf</a>
1% of passenger cars	185		We estimate that 1% of passenger cars are electric
We calculate:	2,645,500	g/km CO2	Engines with combustion motor
	18,518,500,000	g/km CO2 / year	
	18,519	t/km CO2 / year	g / km CO2 emissions from electric vehicles
	11,100	g/km CO2	
	77,700,000	g/km CO2 / year	
	77.7	t/km CO2 / year	
We estimate that 1% of passenger cars are electric	2,619,045.0	g/km CO2	
	18,333,315,000	g/km CO2 / year	
	18,333	t/km CO2 / year	which will not be emitted
	185	t/km CO2 / year	which will not be emitted
Considering the emissions that derive from electric consumption of the electric machine	<b>107</b>	<b>t/km CO2 / year</b>	g / km CO2 emissions from electric vehicles

## 5.2 Vau i Dejës Municipality

### General Overview

The municipality of Vau-Dejë is bordered to the north and west by the Municipality of Shkodra, in the east with the Municipality of Fushë-Arrëz, while in the south with the Municipalities of Puka and Lezha. The center of this municipality is the town of Vau i Dejes.

According to the Civil Registry, this municipality counts 48,966 inhabitants. The municipality has an area of 499.09 km<sup>2</sup> with a density of 98.11 inhabitants/km<sup>2</sup>. It consists of 6 administrative units, which are: Vau Dejes, Bushat, Vig-Mnele, Hajmel, Temal, Shllak. All administrative units are currently part of the district of Shkodra and part of the same district. The municipality has under its administration a city and 47 villages.

The municipality of Vau i Dejes has 5 administrative units, which deal mainly with agriculture, while the area has considerable water resources. In it is the hydro power plant of Vau i Dejes as HPPs Ashta 1 and Ashta 2, built with private concession during the last years.

Bushat municipality is a well known area for agricultural products and has a small activity in export of vegetables. On the other, Municipalities Shllak and Temal are on the other side of Vau i Dejes Lake and have no historical connection with the new municipality. These two municipalities are particularly poor on land because a considerable part of them have been flooded by Lake Vau i Dejes.

Before the 1990s most of the inhabitants of Vau i Dejes worked in the hydro power plant, copper plant and agricultural cooperatives. While current economic development is mainly based on small service businesses, which are mainly located in the city of Vau i Dejes.

Unemployment is high, and therefore a large part of the population found in emigration, mainly in the states of Italy and Greece. Particularly special for this municipality is the existence of considerable water surfaces dominated by the Vau i Dejes hydropower plant, the Drin river that continues its old couch since the dam of the Hydrocentral dam and the river Gjadër detached from the first river, about 1 km southeast of the city of Vau i Dejes. The great wealth of water also makes the area affected by the floods.

Development of natural tourism is an opportunity for growth in this area, as in the lake of Vau Deja castles and churches are among the oldest in the Balkans, which still today bear historical and archaeological value. Lake Vau i Dejes also can become an important tourist resource if transport for tourist purposes returns from Vau i Dejes to Koman.

Prevention of flooding remains one of the main challenges of this municipality, through investment in irrigation and drainage canals, but also the construction of embankments along the river banks.

## Shoqata e Bashkive të Shqipërisë

Existence of the energy industry can be established in such a context of use and management in favor of economic growth and development of Vau i Dejës municipality.

Zadrime's ethnographic area, which lies partly in the municipality of Lezha and partly in Vaun e Dejës, is well-known for the development of viticulture, leadership skills in family farming enterprises and the development of agro-tourism.

The challenge remains to support these businesses by local governments and further promote cooperation in agriculture.



*New territorial map of Vau i Dejës municipality*

The development of the eco-cultural system in Lake Vau i Dejës and along the Zadrime, through an obviously project would affect the increase of income. The new municipality will have to find new ways as opportunities opening of apparel units or small units of artisanal products for hiring local inhabitants.

Resolution of ownership issues remains a problem for local leaders, as well as providing markets for agricultural products. The provision of public services for the two municipalities beyond Vau i Dejës Lake is also considered a challenge to the new municipality, which should provide the first road infrastructure for connecting these administrative units with the city.

### Proposed fiscal policies

The municipality of Vau i Dejës, as part of the Fiscal Package and Budget 2019, has proposed some specific measures to encourage residents and businesses to use photovoltaic installations to produce electricity as follows:

- 30% reduction on the taxation level of Tax on Buildings for families and businesses;
- 30% reduction on Local Services Fees for businesses;



### Tax on Buildings

The Albanian municipalities generate an important source of income from immovable property taxes. Currently Albania collects less than 0.3% of GDP from property tax which makes it suboptimal and the lowest source of income in European countries. However, the latest law on local taxes implemented by parliament seeks to modernize the fiscal revenue for the Albanian municipalities by increasing own source of revenue from immovable property taxes. The new fiscal law passed in November 2017 establishes that property tax will be implemented on a marked value-based tax.

This legal amendment was followed by the approval of the Council of Minister Decision no. 132 dated 7 March 2018 on the Methodology for the Evaluation of the Taxable Value of the Real Estate “Property”, on the definition of tax base for specific categories and rules on alternative assessment. The Methodology approved reference values per square meters per each municipality. The value of the tax is 0.05% annually per square meter of the real market value, but not less than the reference price as indicated in the methodology. According to Law No 68/2017 “Local Self-Government Finance Law” Article 12.5 “local municipality council decides on the value of immovable property tax +/- 30% from an indicated value for each category”.

As it can be seen in Table below, the Municipality of Vau i Dejës proceeds from tax on building show a fluctuating trend in absolute terms for the period 2016-2018. Also, its share on the total revenues collected from local taxes and fees has a similar path for the same period. However, the Municipality of Vau i Dejës, in its Medium-Term Budget Program Document for 2019-2021 expects that revenues from tax on buildings will increase from 2019 onwards in both nominal and relative terms.

	2016	2017	2018	2019	2020	2021
Name of Local Tax/Fee	Actual	Actual	Actual	Plan	Plan	Plan
Revenues from Tax on Buildings	13,540	10,403	23,000	29,550	31,800	32,600
Share	11.9%	12.6%	18.2%	18.1%	18.3%	17.4%
<b>Revenues from Taxes and Fees (Total)</b>	<b>114,174</b>	<b>82,515</b>	<b>126,452</b>	<b>163,175</b>	<b>174,115</b>	<b>187,095</b>

**Table:** Revenues from Tax on Buildings for the period 2016-2021 (in thousands ALL)

Source: [financa.gov.al](http://financa.gov.al); [financatvendore.al](http://financatvendore.al)

This increase is mainly due to the implementation of the new taxation model, as explained above. And this statement is confirmed by the below analysis.

According to the draft-budget 2018 document published by the Municipality of Vau i Dejës<sup>3</sup>, the number of taxable buildings for dwelling purposes is 22,543 with an average space of 98 sqm and an average property price of 40,200 ALL sqm. On average, a family would save up to 590 lek annually from this tax relief.

<sup>3</sup> [http://www.Vau-Dejës.gov.al/web/projekt\\_buxheti\\_2018\\_dhe\\_pba\\_2018\\_2020\\_2756.pdf](http://www.Vau-Dejës.gov.al/web/projekt_buxheti_2018_dhe_pba_2018_2020_2756.pdf)

## Shoqata e Bashkive të Shqipërisë

Also, the number of businesses that operate in this municipality is around 2563, with an average space of 90 sqm and an average property price of 60,300 ALL sqm, 1.5 times higher than the price for dwelling purposes as prescribed by the methodology that is currently in force. In this case, a business would save up to 3,256 lek annually from this tax relief.

The results given in table below, do confirm to a large extent the estimations of the Municipality of Vau i Dejes about this tax. However, there might be a margin of error of +/- 5 to 10% owing to the exact number of families and average space for each category.

Categories	No. of Buildings	New Taxation Method			
		Average Surface (square meters)	Average Price (ALL per one square meter)	Tax Level	Annual Revenues (in ALL)
Families	22,543	98	40,200	0.05%	44,405,201
Businesses	2,563	90	60,300	0.2%	27,818,802
<b>Total</b>					<b>72,224,003</b>

**Table:** Estimation of Revenues from Tax on Buildings with the new taxation method

In calculating the potential losses from the 30% reduction on the nominal tax levels for both family and business categories, we have estimated three potential scenarios as follows:

Low Case - 1% of families and businesses use energy from renewable resources

Categories	No. of Buildings	Average Surface (square meters)	Average Price (ALL per one square meter)	Old Tax Level	Proposed Tax Level	Annual Revenues Loss (in ALL)
Families	121	98	24,300	0.05%	0.04%	43,211
Businesses	57	110	36,450	0.20%	0.14%	13,760
<b>Total</b>						<b>56,972</b>

### Public Services Fees

Revenues from local services fees provided an average of 11.8% of the total revenues from taxes and fees for the 2016-2018 period and Municipality of Vau-Dejes foresees for the 2019-2021 to maintain the same share.

### Shoqata e Bashkive të Shqipërisë

Name of Local Tax/Fee	2016	2017	2018	2019	2020	2021
	Actual	Actual	Actual	Plan	Plan	Plan
Revenues from Local Services Fees	28,166	25,544	37,149	32,220	33,550	34,720
<i>Share</i>	24.7%	31.0%	29.4%	19.7%	19.3%	18.6%
<b>Revenues from Taxes and Fees (Total)</b>	<b>114,174</b>	<b>82,515</b>	<b>126,452</b>	<b>163,175</b>	<b>174,115</b>	<b>187,095</b>

**Table:** Revenues from Local Services Fees for the period 2016-2021 (in thousands ALL)

Source: [financa.gov.al](http://financa.gov.al); [financatvendore.al](http://financatvendore.al)

To assess the impact on the budget of the Municipality of Vau-Dejes of the proposed relief, we carried out a similar type of analysis performed on the tax on buildings above. As mentioned on the draft-budget of 2018 prepared by the Municipality of Vau-Dejes, the families contribute up to 34% of the total revenues from this fee, whereas businesses provide the remaining 66%.

As shown in Table below, the losses in the scenario taken into consideration are very small compared to the total revenues expected from these fees. If we would add the fact that the Low Case scenario would take 3 years or more to materialize, after the relief, the losses incurred throughout this time would be insignificant.

	No. of Businesses profiting from tax relief	Average fee payment (in ALL)	Reduced average fee payment (-30%)	Annual Revenue Loss (in ALL)
Low Case (1%)	5,7	42,462	29,723	<b>72,864</b>

### Estimated energy savings and gases that will not be emitted

Family Category			
Number of houses	12,097		Source: Municipal Council
1% of households	120		So, being optimistic, we made an assessment: 1% of households receive this bonus.
The power installed in each of these houses	5	kW	We assume an average of the power installed in each of the homes

### Shoqata e Bashkive të Shqipërisë

MWh annual data for MW in Vau i Dejës	1,426		This is the production schedule of an object in Vau I Dejës area per year. Source: Albanian Institute of Weather.
Average household consumption in Albania	8,400	kWh	
The emission factor of the electricity issue for Albania	0.009	kg CO2 eq/kWh	Source: <a href="https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf">https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf</a>
We calculate:	7,130	kWh/year	
	<b>855,600</b>	<b>kWh</b>	kWh that become renewable
	<b>7,700</b>	<b>kg CO2 eq</b>	kg CO2 eq that is not emitted annually
<b>Business category</b>			
Number of businesses in 2018 (big and small)	572		Source: Municipal Council
1% of businesses	5.7		Being optimistic, we made an estimate: 1% of businesses are eligible for this bonus
Installed power	20	kW	We assume an average of installed power in businesses
MWh annual data for MW in Vau i Dejës	1,426		This is the production schedule of an object in Vau i Dejës area per year. Source: Albanian Institute of Weather
The emission factor of the electricity issue for Albania	0.009	kg CO2 eq/kWh	Source: <a href="https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf">https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf</a>
We calculate:	28,520	kWh/year	
	<b>162,564</b>	<b>kWh</b>	kWh that become renewable
	<b>1,463</b>	<b>kg CO2 eq</b>	Kg Co2 that are not emitted annually

## 5.3 Kukës Municipality

### General overview

Kukes is bordered to the north by Krumë Municipality, west with the Mirdita and Fushë-Arrëz municipalities, in the south with the Municipality of Dibër and in the east with the Republic of Kosovo and Macedonia. The center of this municipality is the city of Kukes.

According to the Civil Registry, this municipality has 59,393 inhabitants. The municipality has an area of 933.86 km<sup>2</sup> with a density of 63.59 inhabitants/km<sup>2</sup> according to the Civil Registry. This municipality consists of 15 administrative units, which are: Kukesi, Malzi, Bicaj, Ujmisht, Tërthore, Shtiqën, Zapod, Shishtavec, Topojan, Bushtricë, Grykë-Çajë, Kalis, Surroj, Arrën dhe Kolsh. All administrative units are currently part of the Kukes district and part of the same district. The municipality has under its administration a city and 87 villages.

Kukes was an industrial center during the communist regime in Albania. Until the 90s, Kukes had industry of extraction and smelting of copper (60s Soviet technology), extraction and concentration of chromium ore, extraction of quartz ore, production of construction materials (inert materials, prefabricated etc.) It is known as a country with a tradition of raising and breeding of sheep. The quality of meat and wool of Lamb's Sheep was recognized throughout the Balkans. Kukes was also a well-known transportation center. In addition to other types of transport, there was developed water transport through the artificial lake of Fierza, which enabled the movement of goods and passengers and the development of tourism. Since 2000, the transport through Fierza Lake has ceased to exist.

A significant part of the city and village residents worked in the Chromium Extracting and Processing Area in Kalimash as well as in the mining mine in Gjegjan. The indispensable economic transformations to the free market after the 90s made most of the industry go bankrupt, because that industry was set up to function in the conditions of a centralized economy. But this caused a lot of social wound, creating many unemployed. The timely non-resolution of land ownership issues (the overdue problems caused by the forced displacement of residents of Old Kukes after the construction of Fierza HPP) caused many property conflicts and completely blocked domestic and foreign business initiatives extraneous, creating an absurd stalemate that continues to hold under tension many of Kukes inhabitants.



*Territorial map of Kukes*

Kukes has environmental problems and numerous development challenges. The majority of the 87 villages of the new municipality are not yet connected with asphalt roads, while the unpaved roads are degraded, creating considerable distance between the city of Kukes and the remote mountain villages such as Arrën or Kalis.

The development of Kukes Lake as a tourist resource or for fishing also requires the establishment of an annual fishing system. Another problem is also the sewage of the Kukes City, which is currently flowing directly into Lake Fierza, damaging the environment. Kukes region can develop sheep Rude type, which is typical for this area.

Management of mineral resources in community service is another challenge, since the current fragmented system of natural resource exploitation permits has caused environmental damage, in addition to misuse of these resources.

Kukes has currently tried to increase human capacity to apply and benefit from the EU Instrument for Pre-Accession Assistance (IPA).

### Proposed fiscal policies

Kukes Municipality, as part of the Fiscal Package and Budget 2019, has proposed some specific measures to encourage residents and businesses to use photovoltaic installations for electricity generation as follows:

- 30% reduction of the greenery fee for those households, institutions and businesses that have installed a photovoltaic device in their premises. The transport business category (except those

## Shoqata e Bashkive të Shqipërisë

who have permanent offices) can not be included in the fiscal policy because they do not have permanent structures (buildings) to install solar panels.

### Tariff of Public Services

*Table of Green Fee as approved by the Municipal Council*

Nr	Category	Fee level
<b>I</b>	<b>Families</b>	
I.1	Kukes City	300
I.2	Other administrative units	200
<b>II</b>	<b>Institutions</b>	<b>5000</b>
<b>III.</b>	<b>Businesses</b>	
III.1	Retail	3000
III.2	Wholesale	5000
III.3	Fuels	5000
III.4	Other professions	5000
III.5	Wholesale point with several activities	10000
III.6	Production unit	
	Small	3000
	Big	5000
III.9	Transport	2000
III.10	Counstruction	5000

Upon approval, the fiscal package for the Kukes Municipality will be amended as follows for the next categories of Taxpayers:

*The Greenery Fee Table to be approved by the City Council*

Nr	Category	Fee level
<b>I</b>	<b>Families</b>	



### Shoqata e Bashkive të Shqipërisë

I.1	Kukes City	210
I.2	Other administrative units	140
<b>II</b>	<b>Institutions</b>	<b>3500</b>
<b>III.</b>	<b>Businesses</b>	
III.1	Retail	2100
III.2	Wholesale	3500
III.3	Fuels	3500
III.4	Other professions	3500
III.5	Wholesale point with several activities	7000
III.6	Production unit	
	Small	2100
	Big	3500
III.9	Transport	1400
III.10	Construction	3500

	Low Case (1%)	Average fee payment (in ALL)	Reduced average fee payment (-30%)	Annual Revenue Loss (in ALL)
No. of Businesses profiting from tax relief	9	3000	2100	<b>8100</b>
No. of families profiting from tax relief	95	300	210	<b>8550</b>
<b>TOTAL</b>				<b>16650</b>

### Estimated energy savings and gases that will not be emitted

#### Family Category



### Shoqata e Bashkive të Shqipërisë

Number of houses	9,597		Source: Municipal Council
1% of households	95		So, being optimistic, we made an assessment: 1% of households receive this bonus.
The power installed in each of these houses	5	Kw	We assume an average of the power installed in each of the homes
MWh annual data for MW in Kukes	1,328		This is the production schedule of an object in Kukes area per year. Source: Albanian Institute of Weather.
Average household consumption in Albania	8,400	KWh	
The emission factor of the electricity issue for Albania	0.009	Kg CO <sub>2</sub> eq/kWh	Source: <a href="https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf">https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf</a>
We calculate:	6,640	kWh/year	
	<b>630,800</b>	<b>KWh</b>	kWh that become renewable
	<b>5,677</b>	<b>kg CO<sub>2</sub> eq</b>	kg CO <sub>2</sub> eq that is not emitted annually
<b>Business category</b>			
Number of businesses in 2018 (big and small)	911		Source: Municipal Council
1% of businesses	9		Being optimistic, we made an estimate: 1% of businesses are eligible for this bonus
Installed power	20	kW	We assume an average of installed power in businesses
MWh annual data for MW in Kukes	1,328		This is the production schedule of an object in Kukes area per year. Source: Albanian Institute of Weather

### Shoqata e Bashkive të Shqipërisë

The emission factor of the electricity issue for Albania	0.009	kg CO2 eq/kWh	Source: <a href="https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf">https://ecometrica.com/assets/Electricity-specific-emission-factors-for-grid-electricity.pdf</a>
We calculate:	26,560	kWh/year	
	<b>239,040</b>	<b>kWh</b>	kWh that become renewable
	<b>2,151</b>	<b>kg CO2 eq</b>	Kg Co2 that are not emitted annually

## 6. Means of verification for benefiting categories

Identification of categories of taxpayers (families and businesses) will include the following steps:

### For the relief on the Tax on Buildings

Municipal Tax Department is in charge with the implementation of the fiscal policy. It is responsible for identifying benefiting subjects and calculating the new level to be paid for the property tax (building).

Identification of the subjects will be carried out in a two-step process:

Self - declaration of taxpayers to the Municipal Tax Department on the installation of photovoltaic structures. This can be done with invoices of purchasing these installations. The buyer in the invoice should be the same as the subject claiming the tax relief. If such an invoice does not exist, photos or any other documentation to prove existence of a photovoltaic installation will be presented to the tax office.

Verification on the spot form municipal tax inspectors will be carried out when deemed necessary from the responsible officer. Verification will be carried out by a group of three municipal employees (tax office, urban planning and public services department).

### For the relief on the Tax on public services:

Department of Public Service and Municipal Tax Department is in charge with the implementation of the fiscal policy. It is responsible for identifying benefiting subjects and calculating the new level to be paid for the public service tax.

Identification of the subjects will be carried out in a two-step process:

Self - declaration of taxpayers to the Department of Public Service on the installation of photovoltaic structures. This can be done with invoices of purchasing these installations. The buyer in the invoice should be the same as the subject claiming the tax relief. If such an invoice does not exist, photos or any

## Shoqata e Bashkive të Shqipërisë

---

other documentation to prove existence of a photovoltaic installation will be presented to the relevant office. Department of Public Services will compile and update a list of these materials and will send it to the Tax Department

Verification on the spot form municipal tax inspectors will be carried out when deemed necessary from the responsible officer. Verification will be carried out by a group of three municipal employees (tax office, urban planning and public services department).

For free parking in public areas

The Directory of Services is the responsible office for the implementation of this fiscal policy. Verification of subjects who receive two hours of free parking in public spaces will be by the relevant employees.

### 7. Communication with Community

The fiscal policies as presented in this proposal will be included in the process of preparation of draft budget for the coming year of 2019. The municipality shall hold consultation sessions with the community, as part of the 2019 budget.

As any act approved by a municipal council, these fiscal policies shall be published on its official website and displayed in public places designated for such purpose with free public access within the territory of the local unit and, where available, the municipal council shall use other forms of publishing them. In every municipality, the public shall be informed in accordance with the Law on Access to Information and the rules set by municipal councils for this purpose.

### 8. Conclusions

Even though the local tax and fees relief policy undertaken by Pilot Municipality provide a significant step forward toward embracing green energy production from the remaining municipalities, the Project is fully aware that these measures alone would not suffice to achieve a full-scale use of the renewable energies that Albania possesses. The costs of buying these equipments would provide a big impediment to families with low and middle income as well as small and medium enterprises. As such, a coordinated approach with the Central Government is very much needed in order to explore the best options in order to make the investment in these technologies affordable for all the sections of the population and businesses. Government subsidies, loan guarantees, interest rate subsidies could be some effective options that could prove effective in extending the use of renewable energy equipments. This should be coupled with an extensive awareness campaign steered by both the Central and Local Government should be planned and carried out in order to inform citizens and businesses about the costs and benefits of using these types of equipments. This in turn, would speed up the process of switching to renewable energy sources as citizens

## Shoqata e Bashkive të Shqipërisë

---

would be fully aware of the narrow benefits (less energy costs for families and businesses) as well as broader benefits (less pollution and improved environment quality).

Furthermore, the proposed fiscal measures as well as other innovative financial mechanisms can be extended to address other energy efficiency measures that can be easily introduced such as: thermal insulation of family and business purpose buildings, solar panels for hot water, eolic energy etc. Currently, the Municipality of Tirana has enjoyed quite a successful implementation of its program named “Community Fund” in which it encourages small communities to co-invest with the Municipality of Tirana, on a 50-50 basis, on projects that aim at thermo insulating its dwelling buildings as well as installing solar panels for electricity or hot water purposes

Lastly, over the long-term horizon, the Government of Albania should invest in the power distribution sector with the needed technologies that easily allow electricity transfer from photovoltaic equipments of families and businesses to the grid, when the electricity produced by these equipments is exceeding the daily demand. This measure would be even more attractive for families and businesses as they would be profiting even more from a financial point of view by selling the electricity to the Power Distribution Authority and able to invest on a much greater scale in these technologies given the created market opportunities.