

# ENTREPRENEURSHIP GUIDE

## ALBANIA



Balkan-Mediterranean  
Programme  
**BALKANET**

Guidelines document

“Creation of the New  
Innovative enterprises in the agro food sector” in Albania.

Prepared by  
Roland Bardhi, PhD  
Expert

September, 2020

## Table of Contents

Table of Contents.....	2
List of Tables .....	4
List of Abbreviations.....	5
1. ENTREPRENEURSHIP GUIDE OF ALBANIA .....	7
1.1. Business Framework.....	7
1.2. The National Business Center - Legal framework.....	7
1.3. The National Business Center - Functions .....	8
2. PROCESS OF FOUNDING OF A PARTNERSHIP .....	9
2.1. Legal Forms of Companies .....	9
2.2. Cost for creation of a company.....	12
3. BUSINESS REGISTRATION .....	14
3.1. Legal framework.....	14
3.2. Entities required to register .....	14
3.2.1. Entities required to register with the NBC commercial register .....	14
3.2.2. Entities with no obligation to register .....	16
3.3. Process of registration.....	16
3.3.1. Application Form.....	17
3.3.2. Submission of application for registration to the NBC .....	18
3.3.3. List of supporting documents .....	18
3.3.4. Payment .....	18
3.3.5. Online registration through the electronic portal .....	19
3.3.6. Documents and compulsory data for initial registration .....	20
3.3.7. Natural person.....	20
3.3.8. Simple Companies .....	21
3.3.9. Commercial companies (Collective companies, Limited Partnership, Limited Liability Company, Private Shareholding Company): .....	21
3.3.10. Collective Company.....	22
3.4. Business Licensing .....	31
3.4.1. Legal Basis .....	31
4. TAX LEGISLATION .....	43
4.1. Business taxations.....	43
4.2. General tax provisions .....	45
4.3. The Tax on Small Business .....	46
4.4. Corporate Income Tax .....	48

4.5.	Withholding Tax .....	49
4.6.	Personal Income Tax.....	50
4.7.	Value Added Tax (VAT).....	52
4.8.	Excise Tax .....	53
4.9.	Social and Health Security Contributions .....	53
4.10.	Local Taxes and Fee.....	55
4.11.	Sanctions and fines.....	55
5.	CUSTOMS DUTIES .....	57
5.1.	Customs legislation and administration .....	57
5.2.	Custom Tariffs.....	57
5.3.	Albanian customs regimes.....	58
5.4.	Value Added Tax (VAT).....	59
6.	INVESTMENT INCENTIVES .....	60
6.1.	Foreign investments .....	60
6.2.	Investment Protection .....	60
6.3.	Strategic Investment Legislation .....	61
6.4.	Investment Incentives .....	63
6.5.	Fiscal Incentives .....	65
6.6.	Fiscal incentives within Economic Zones .....	65
6.7.	Sectoral incentives .....	66
7.	LABOR LAW .....	67
7.1.	Institutional Framework .....	67
7.2.	Labor Framework .....	67
7.3.	Social Security .....	69
7.4.	Basic Wage.....	70
8.	REFERENCES.....	73
9.	ANNEXES .....	75
9.1.	Steps – Starting a Business in Albania – Procedure, Time and Cost - ANEKS 1 ..	75
9.2.	Paying Taxes in Albania - ANNEX 2 .....	77
9.3.	Guidelines for business plan preparation - ANNEX 3 .....	78

**List of Tables**

Table 1: Entities with the obligation to register at the commercial register of the NBC..	15
Table 2: Entities with no obligation to register at the commercial register of the NBC.....	16
Table 3: Means of application.....	17
Table 4: Fees of the services offered by the NBC.....	18
Table 5: Administrative service fees for license/permit applications .....	39
Table 6: Business Taxation from 1.1.2016 .....	43
Table 7: The countries with tax treaty with Albania .....	50
Table 8: Income tax paid by employee.....	51
Table 9: Six strategic investment areas .....	61
Table 10: Social and health insurance contributions .....	69
Table 11: The average monthly wage in Albania (Year 2019). .....	70
Table 12: The Average gross monthly wage per employee by economic activities (Year 2019).....	71

**Annexes**

1. Annex 1 - Steps – Starting a Business in Albania – Procedure, Time&Cost.....	75
2. Annex 2 - Paying Taxes in Albania.....	77
3. Annex 3 - Guidelines for business plan preparation.....	78

**List of Abbreviations**

AIDA	Albanian Development and Investment Agency
ALL	Albanian Leks
CEFTA	Central European Free Trade Agreement
DCM	Decision of Council of Ministers
EFTA	European Free Trade Association
GDC	General Directory of Customs
ISSH	Institute of Social Security
NCR	National Registration Center
NCL	National Licensing Center
NRL	National Registering of Licenses
NBC	National Business Center
NGO	Non-Governmental Organization
LLC	Limited Liability Company
QKR	Qendra Kombetare e Regjistrimit
SBT	Small Business Tax
UIN	Unique Identification Number
VAT	Value Added Tax
WHT	Withholding Tax

## **Guideline document**

This document is output of the expertise given to PB4 AUT in implementing of the D.4.4.3 activities, aiming to support the creation of a Guideline document to facilitate the creation of new innovative enterprises in the agro food sector, under the **Project “Balkan ideas network for sustainable innovations in the agro-food sector”, “BALKANET”**

## **1. ENTREPRENEURSHIP GUIDE OF ALBANIA**

### **1.1. Business Framework**

The basic institutional framework in Albania for doing business is the Law No 9901 dated 14.04.2008 on traders and commercial companies (as amended and in force), which regulate the status of entrepreneurs, the founding and managing of companies, the rights and obligations of founders, partners, members, and shareholders, companies' reorganization and liquidation. As per this law the companies are general partnerships, limited partnerships, limited liability companies or joint-stock companies.

The law enables foreign investors to do business in the following ways: (a) finding an Albanian commercial company, either personal, such as a sole proprietorship, a general partnership or a limited partnership, or a capital company, such as a limited liability company or a limited company, b) setting up a representative office or branch and (c) the establishment of an association/joint venture.

Similarly, a foreign company may do business in Albania by setting up a company in one of the above legal forms, establishing a branch or agency.

For all corporate entities operating in Albania, there is an obligation to register with the National Registration Center (QKR, [www.qkr.gov.al](http://www.qkr.gov.al)) as of September 1, 2007, in accordance with Law No.9723, dated 3.5.2007, changed by law no.9916, dated 12.05.2008, Law No.92/2012 and Law No.8/2015.

### **1.2. The National Business Center - Legal framework**

With the goal of further improving the business climate in the Republic of Albania, with the entry into force of Law no 131/2015, "On the National Business Center" the National Business Center was created in December 2015, as a result of the merger between the National Registration Center (NRC) and the National Licensing Center (NLC).

The mission and organisation of the National Business Center were better regulated by DCM no. 179, dated 09/03/2016, "On the approval of the National Business Center Statute".

Until 2007, registration of legal entities was performed at the District Court of Tirana, whereas the registration of natural persons was performed at the appropriate District Court. For this reason, due to the fact that registration was an entirely judicial procedure, starting a business in Albania encountered a number of judicial and administrative barriers, which raised costs and created difficulties in the exercise of commercial activities. Additionally, at the time, a commercial register that could be freely accessible by the public did not exist, and interested parties could not obtain any information in real time.

In order to simplify the procedures and reduce costs, Law no. 9723, dated 03/05/2007, "On Business Registration", amended, created the National Registration Center, whose main function was to process business registration procedures and administer the Commercial Registry.

With the creation of the NRC, business registration was transformed from an entirely judicial process to an administrative process based on self-declaration, in a one stop shop center. The registration of an entity in the Commercial Registry constituted simultaneous registration at the local and central tax administration authorities, social security and health insurance, work inspectorate and the Public Procurement Agency.

The reform in registration was followed by a reform in the area of business licensing and permitting. The licensing/permitting process, until the year 2009, was very long, bureaucratic, costly and not transparent. There were a large number of licenses and permits and institutions involved in the process. The applications were submitted in written form and the procedures, time frames and application forms were not standard. Additionally, a national registry for licenses and permits did not exist.

The creation of the National Licensing Center brought further improvement to the business climate in the country, further reduction of administrative barriers and an increase in transparency of the procedures of licensing /permitting. Another innovation was the transformation of the licensing /permitting process from a paper based process, to a completely electronic one, by creating the National Registry of Licenses, Authorizations and Permits.

The merger of the NRC and the NLC, created the NBC as a single one stop shop which offers business registration and licensing services. This has brought further reduction of administrative barriers for businesses operating in the Republic of Albania. The creation of the NBC was welcomed by commercial entities because now, all the procedures and all the information required to operate in the Albanian market can be easily accessed in one single center.

The administrative procedures offered by the NBC are offered with simplified procedures, by electronic means, within short time frames and with symbolic fees.

The NBC offers the services mentioned above in 35 service windows spread out in the entire Albanian territory.

### **1.3. The National Business Center - Functions**

NBC is an institution of the state administration with legal character under the subordination of the relevant minister for Trade with these following functions:

- a) Maintains the Commercial Register, in accordance with the legislation that stipulates the business registration;
- b) Performs registration in the Commercial Register, according to the law provisions that regulates the business registration;
- c) Performs registrations of the Subjects provided by the Law that regulates the business registration, for the fiscal, social insurance and healthcare purposes, and inspection of the labor relations.
- d) Issues certificates, abstracts of registrations and certified copies of other filed documents as provided by the Law regulates the business registration;
- e) Discloses the registered data, according to the law that regulates the business registration, and guarantees the free access of the public.



- f) Accepts applications for licenses, authorizations or permits, changes and revocation related to them, pursuant to the law which regulates the licenses, authorizations and permits;
- g) Maintains and administrates the National Register of the Licenses, Authorizations, and Permits, pursuant to the law which regulates the licenses, authorizations and permits;
- h) Ensures the free public access to the National Register of the Licenses, Authorizations and Permits, pursuant to the Law which regulates the licenses, authorizations and permits;
- i) Informs and advises the interested persons on the procedures for the business registration, as well the licensing, authorization and permit procedures;
- j) Provides comments on any legal or sub-legal act in the business registration area, and on licenses, authorizations, and permits;
- k) Conducts researches on the regulatory environment quality, provides information, analysis and advice to the Minister, Council of Ministers or central and independent governmental institutions, related to their normative and organizational initiatives, in the business registration and licenses, authorizations, and permits area, as well provides assistance on the preparations of the regulatory environment improvement policies on these areas.

The National Registration Center operates as a "one stop shop" and provides the opportunity to start a business in one day, with a minimum administrative fee of 100 Albanian Lek (approx. 0.72 €) and simultaneous registration in the tax registers, in the social security register, in the social health insurance register and to the labor inspection, as well as an update on the relevant services of the municipality where the company is based. Upon completion of the registration process the business acquires a unique identification number in all of the above registries (NIPTs).

## **2. PROCESS OF FOUNDING OF A PARTNERSHIP**

### **2.1. Legal Forms of Companies**

According to the provisions of Law No 9723/2007 and Law No 9901/2008 "On traders and commercial companies", the legal forms of companies registered in NBC are as follows:

- 1) Natural persons;
- 2) Simple companies
- 3) Commercial companies
- 4) Branches of foreign companies
- 5) Representation offices of Albanian companies and foreign companies
- 6) Savings and credit companies and unions
- 7) Mutual cooperation companies
- 8) Agricultural cooperatives

**a) Natural persons**

Based on the Civil Code provisions, natural persons are required to register in case they exercise commercial activity. Natural persons exercising an independent profession (i.e. lawyer, notary, accountant, doctor, engineer, architect, artist etc.), are considered to be entrepreneurs, if said status is granted by a specific law. Natural persons exercising agricultural, farming, forestry or similar activities are considered to be entrepreneurs, if their respective activity focuses essentially on the sale of products (Agribusiness).

**b) Simple companies**

Simple companies are also regulated by the provisions of the Civil Code. These provisions determine the simple company as a contract by which two or more persons agree to exercise an economic activity in order to share the profits deriving from it. In a simple company, the contract is not an object of a specific form. A company is considered simple when it does not represent the distinctive qualities of the commercial company set forth by the Law no. 9901, dated 14.4.2008 "On entrepreneurs and commercial companies".

**c) Commercial companies**

The establishment of commercial companies and entrepreneurs, branches and representative offices, organization and management rules, reorganization and liquidation of the same, are ruled by Law no. 9901, dated 14.04.2008 "On Entrepreneurs and Commercial Companies", as amended (the "Companies Law"), which identifies 4 organization types of commercial companies:

**i. General partnership companies**

A company is considered as a general partnership if it registered under this name, performs the economic activity under a joint name and partners have unlimited liability in front of creditors.

In a general partnership, all partners are jointly and severally liable, without limitation, for the obligations of the partnership. Creditors of a general partnership at first have to claim against the partnership as a whole and only if they fail in this process they may afterwards turn and claim against a partner. There is no minimum capital required to form an Albanian general partnership. As it is typically the case with general partnerships, the Albanian general partnership is a mutual agency relationship where each of the partners has authority to bind the partnership vis à vis third parties without notice. Unless the contrary is stipulated in the bylaws filed with the NRC, all of the partners are considered as administrators of the partnership. The partnership is dissolved upon the death, bankruptcy, loss of a business license, or incompetence of a partner. Notwithstanding the foregoing, there are circumstances where continuity can be provided in the partnership bylaws. The partnership must file annual financial reports.

**ii. Limited partnership companies**

A limited partnership is a company in which the liability of at least one partner is limited to the value of its contribution, while the liability of the other partners is not limited. A partner whose liability is limited to the value of his contribution is called a

limited partner. A partner whose liability is not limited to the value of his contribution is called an unlimited partner. The unlimited partner has the status of a partner in the general partnership.

The contribution of shareholders in the company's capital may be in cash or in kind (movable/immovable property or rights). The minimum share capital is ALL 100 (approximately EUR 0.8). Each shareholder owns one share in the company in proportion to his/her/its contribution in the share capital. The percentage that the share represents in the share capital corresponds to the voting rights conferred to each of the shareholders.

A limited partner shall be liable as an unlimited partner if his name is included, with his consent, in the registered name of the company. A limited partner who has entered into an agreement with a third party as an authorized agent of the company but without qualifying as such shall be liable for such action as if it were an unlimited partner, unless it proves that the third was aware of the fact that the partner acted as an authorized agent or, under clear circumstances, was unaware. The initial act shall specify the quota of each partner as the distribution of income is made on the basis of the percentage of the quota.

### **iii. Limited liability companies**

The Limited Liability Company is the most common legal form of company in Albania and is founded by one or more natural or legal persons who are responsible only for the amount of their contribution to the capital. The LCC capital is divided into units for which there is no specific adjustment to the nominal value, while the minimum capital required for the LLC is 100 Albanian Lek (approximately 0.70 Euros).

Partner contributions can be in cash or in kind. Managers of the company have been appointed by the General Assembly for a period of up to 5 years with the possibility of renewal, and their appointment is effective from the date of registration of the company in QKR.

Ordinary decisions are made by the General Assembly as long as the shareholders represent more than 30% of the share capital, while extraordinary ones (such as charter change, change of share capital, mergers, acquisitions, distribution of profits) are required in the General Assembly of the shareholders, as long as the latter represent more than 50% of the share capital. The decisions of the General Assembly are recorded in minutes and kept by the company managers.

### **iv. Joint stock companies**

A joint stock company is a commercial company established by natural or legal persons that are not personally liable for the company's liabilities and cover its losses only up to the unpaid amount of the subscribed shares.

The company's capital is divided into shares subscribed by the founding shareholders. A joint stock company may be either with private or public.

### **d) Branches of foreign companies**

Branches are places of commercial activity and have the same legal personality as the mother company. They operate steadily, under an independent organization and management and engage in activities with third parties on behalf of the company.

**e) Representation offices of Albanian companies & foreign companies**

Representation offices are places where the company exercises its commercial activity and have the same legal personality of the company.

Representation offices do not have their purpose of activity the generation of income, but to promote the activity of the company. These offices can enter into agreements in name of and on behalf of the company.

**f) Savings and credit companies and unions**

Saving and credit companies and unions are regulated by the provisions of the Law no. 52/2016, "On saving and credit companies and their unions".

Based on these provisions a saving and credit company is considered to be a company based on the voluntary organization of its members, depositing their money into the company to be used by this company/union to grant credits/loans solely to the members of said company, with the purpose of satisfying the needs or interests of these members.

Saving and credit unions are created by five or more saving and credit companies, with the purpose of promoting, organizing, developing and improving their internal actions. Membership and continuation of membership of companies in the union is on voluntary basis.

**g) Mutual cooperation companies**

Mutual cooperation companies are regulated by the provisions of the Law no. 8088, dated 21.3.1996 "On mutual cooperation companies", that defines said companies as voluntary unions of natural and legal persons for pursuing economic activities on different fields.

**h) Agricultural cooperatives**

Agricultural cooperatives are regulated by the provision of the Law no.38/2012, "On agricultural cooperation companies". It shall be considered as an agricultural cooperative a voluntary association between natural or legal persons, having as their purpose to fulfill their respective needs or interests in the field of production, process and trade of agricultural and livestock products.

**2.2. Cost for creation of a company**

The following costs should be considered for the creation of a company:

- Profit tax: 10%
- Cleaning fee: ALL 6000-200000 (equivalent to E 43-1438) annual
- Sign fee - Lek 1000-3000 (equivalent to E 7,10-21) annual
- Property tax - variable: lek / m2, applied to any real property owned by the new company

The new company must declare to the employment office the person or persons employed and what they are expected to do.

Is predicted:

- a service fee of 1,000 Lek (equivalent to 7.10 euros)
- and registration with the Chamber of Commerce (annual fee: ALL 20,000 or € 143 equivalent)

The administrative and notarial costs of establishing a new company in the Commercial Register are around 17,000-20,000 (equivalent to about 122-143 €).

### **3. BUSINESS REGISTRATION**

#### **3.1. Legal framework**

Business registration procedures in the Republic of Albania is based primarily on the specific legal provisions on business registration, commercial companies and tax procedures. The list of examined legal and sub-legal acts includes, but it is not limited to the following acts:

- Law no. 9723, date 3.5.2007, “On business registration”;
- Law 131/2015, “On the National Business Center”;
- Law no. 9901 date 14.4.2008 "On Entrepreneurs and Commercial Companies";
- Law no. 9920, date 19.5.2008 "On tax procedures in the Republic of Albania";
- Law no. 7850, date 29.7.1994, “The Civil Code of the Republic of Albania”;
- Law no. 25/2018 "On accounting and financial statements”;
- Law no. 38/2012, “On agricultural cooperation”;
- Law no. 52/2016, “On saving and credit companies and their unions”;
- Law no. 8088, date 21.3.1996, “On mutual cooperation companies”;
- Decision of the Council of Ministers no. 179, date 9.3.2016, “On the approval of the National Business Center Statute”; Decision of the Council of Ministers no. 391, date 3.5.2017, “Regarding the determination of the registration and publication procedures at the National Business Center“.

#### **3.2. Entities required to register**

##### **3.2.1. Entities required to register with the NBC commercial register**

The economic system of the Republic of Albania is based in the market economy and in the freedom of economic activity. The Albanian legislation promotes and protects the economic activity.

However, the legislation provides for the obligation to register for entities that exercise economic and commercial activity. The registration of legal entities aims toward the identification and registration of business, as well as relates to the implementation of tax obligations, employment and social and health insurance scheme. Based on provisions of the legislation on tax procedures natural and legal persons can exercise economic activity only upon registration with the commercial register held by the National Business Center.

The legal framework determines the obligation of registration for the following entities:

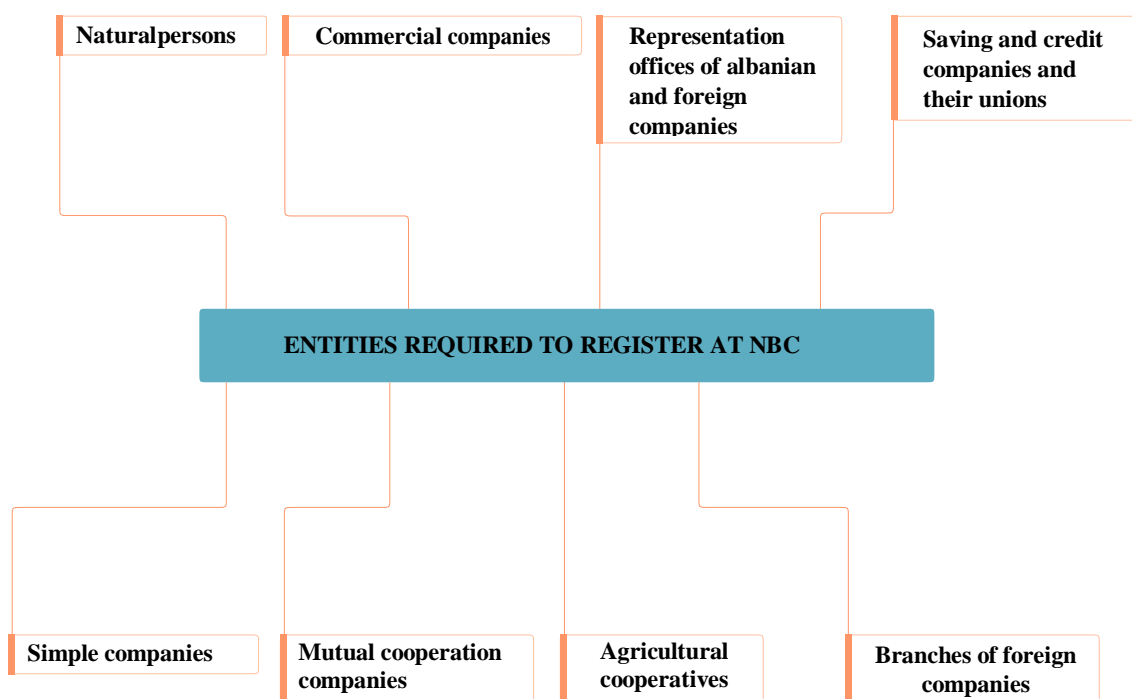
- natural persons (Individual Entrepreneurs), who exercise an economic activity or are independent professionals;
- simple companies;
- commercial companies;
  - general partnership companies
  - limited partnership companies
  - limited liability companies
  - joint stock companies

- branches of foreign companies;
- representation offices of Albanian and foreign companies;
- saving and credit companies and their unions
- mutual cooperation companies;
- agricultural cooperatives.

Other categories of entities may have the obligation to register if that is set forth by specific laws.

As a general rule, entities that register as a legal person gain their legal personality by registering with the commercial register. Meanwhile for some entities like natural persons, branches and representation offices of foreign companies, simple companies and others entities that according to the legislation in force do not gain legal personality by way of registration, said registration with the commercial registry has solely a declarative effect.

**Table 1: Entities with the obligation to register at the commercial register of the NBC.**

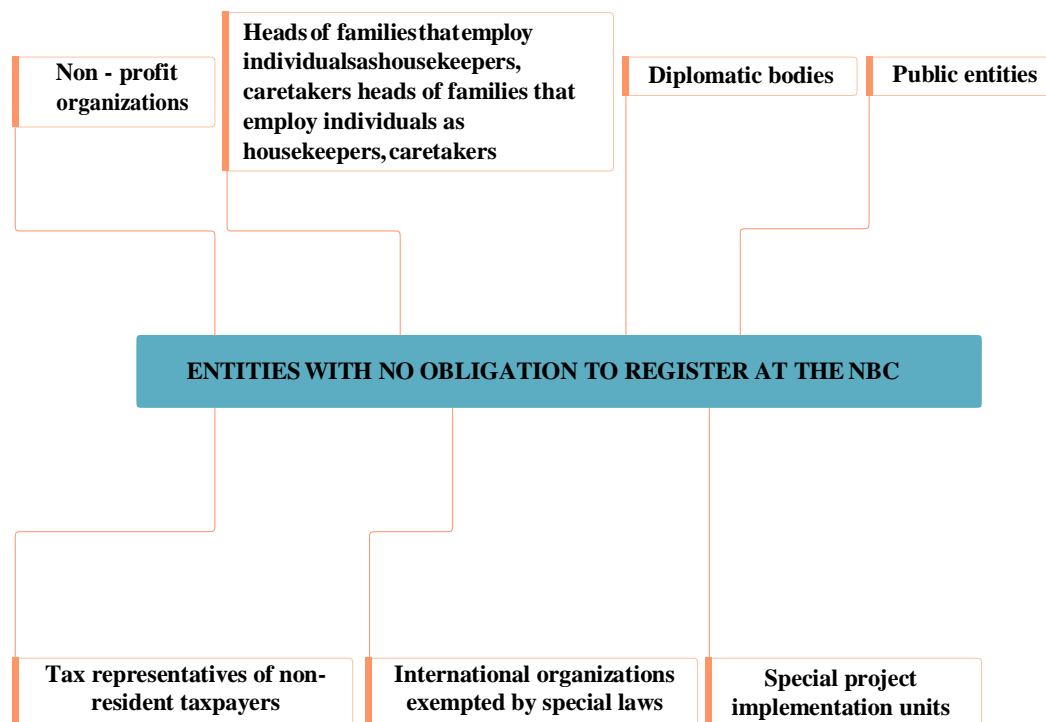


### 3.2.2. Entities with no obligation to register

Due to applicable exemptions or the implementation of special legal provisions, some categories of entities are not required to register with the commercial registry. These include but are not limited to the following:

- non - profit organizations;
- tax representatives of non-resident taxpayers;
- self-employed as traveling salesmen;
- farmers;
- heads of families that employ individuals as housekeepers, caretakers;
- national or local public entities;
- embassies consular offices, representatives of foreign offices ;
- special project implementation units;

**Table 2: Entities with no obligation to register at the commercial register of the NBC**



### 3.3. Process of registration

From April 1, 2016, according to Law no. 131/2015, the National Operations Center began its operating (National Business Center - NBC), which resulted from the merger of the National Registration Center (QKR) and the National Center for Licensing (NLC). The new organization's organizational chart came into force on 15.03.2016 and its services are presented at: <http://www.qkb.gov.al/>.



An application can be made at a NBC service desk, regardless of the headquarters or place of activity of the entity that requires registration.

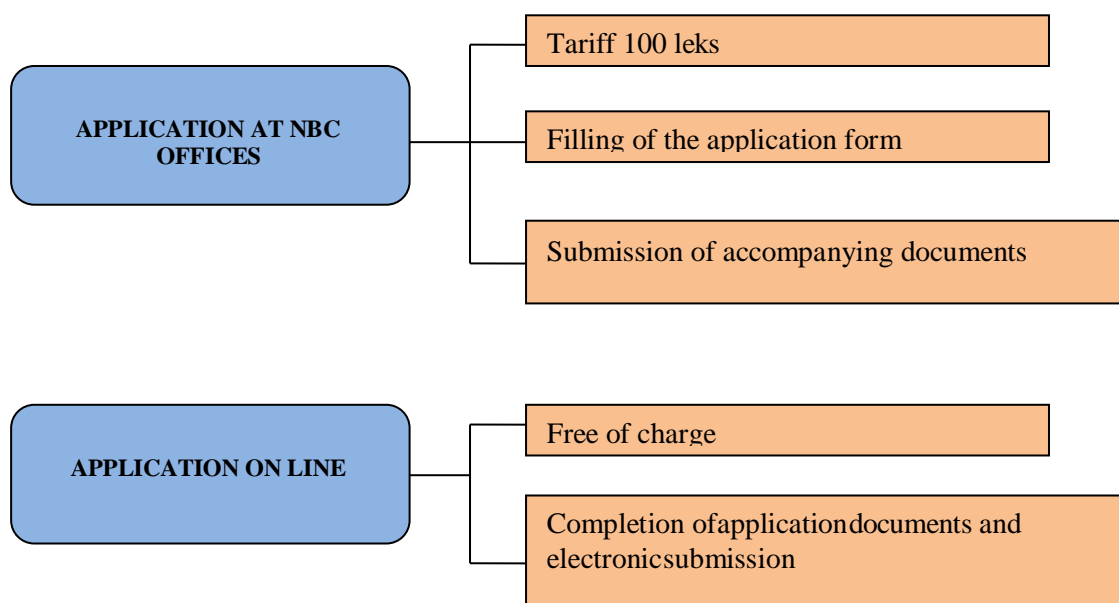
### 3.3.1. Application Form

To start a registration, an applicant must complete the application form. The application form is specific to the different types of entities that apply (natural persons doing business or company). Therefore, the applicant should ensure that he or she knows whether the application will be for a natural person who will be registered to perform a business or a company as well as the type of company. Information on the legal requirements of limited liability companies, joint stock companies and other companies can be found at Law No. 9901, dated April 14, 2008 “On Entrepreneurs and Companies”.

Applications for registration with the commercial register can be performed in two ways:

- a) at each NBC help desk; or
- b) on-line through the electronic portal.

**Table 3: Means of application.**



All application forms are provided with instructions for completing them. These instructions can be found at any NBC helpdesks or can be downloaded from this official web site of the NBC.

The applicant may fill out the application form either:

- ✓ by downloading it, filling it electronically and printing it; or
- ✓ at each NBC service desk with the help of the desk clerk; or
- ✓ via the Internet using the NBC “Apply On-Line” function.

### **3.3.2. Submission of application for registration to the NBC**

Once the application form is completed, the applicant (or the authorized representative for registration) submits the application form in person, to each NBC service desk, along with other appropriate supporting documents.

The applicant or authorized person shall be identified at the NBC desk through an original identification document as well as (for the authorized representative) a notarized authorization to represent the applicant for registration purposes.

The desk clerk verifies that the application and accompanying documents are complete and acceptable by the NBC. If the application is incomplete or inaccurate, the desk clerk will assist filling out the form together with the applicant and will print the completed form.

Then, the NBC desk clerk gives the applicant a confirmation of the application made, which is issued by the NBC electronic system and has a unique number of files. This confirmation is signed by both the applicant and the desk clerk. The Applicant may use this unique number of file to track the status of the registration process at any time through this official web site of the NBC, by clicking Check the Application Status.

### **3.3.3. List of supporting documents**

In addition to the completed application form, the applicant must submit the relevant supporting documentation as follows:

Original Identification Document (Biometric Passport, Electronic Identity Card), which the desk clerk will verify, copy and scan and eventually return the applicant (representative). The applicant should not leave the service desk without receiving his identification document.

**Other supporting documents.** The list of documents required for initial registration is specific to different legal business forms. Once the type of business to be registered is identified, the applicant can find the list of accompanying documents, attached to the specific application form for registration, which can be obtained either at the NBC helpdesks or on the NBC official website in the directory: Documents needed for any application form.

### **3.3.4. Payment**

The applying person pays at the service desk where he applies. Fees are published on the official web site of the NBC.

Payment is made at the NBC desk, as soon as this is required by the desk clerk and after a unique number is assigned from the electronic system for the file. Payment is made prior to the final signing of the application form by the clerk and the applicant.

The complete list of the fees of the services offered by the NBC is in the table as following:

**Table 4: Fees of the services offered by the NBC**

No	Service	Fee (in Lek)
1	Verifying the name registration option	100
2	Name reservation	100
3	Transfer of the reserved name	100
4	Initial registration	100
5	Other mandatory registration	100
6	Registrations upon request of any third party of public authority decisions (except those made by the entity).	100
7	Voluntary registrations	100
8	Deregistration	100
9	Issuing extracts for a data of the commercial register	100
10	Issuing historical extracts of actions performed by an entity, with 1 page to 20 pages	100
11	Issuing historical extracts of actions performed by an entity, with 21 pages to 100 pages	500
12	Issuing historical extracts of actions performed by an entity, with over 100 pages	1000
13	Issuing a copy of the Articles of Association	100
14	Issuing a copy of the balance sheet	100
15	Issuing a copy of the shareholder's list	100
16	Issuing a copy of other accompanying documents (just one document)	100
17	Issuing a certificate duplicate	100

### 3.3.5. Online registration through the electronic portal

The electronic service of initial registration of an entity is offered to an individual / citizen who has first created on the portal his account as an individual. To complete the application for initial registration, the person applies by filling out the relevant form for initial registration depending on the legal form to be registered.

#### Steps of the procedure

- ✓ Log in as a citizen on the e-Albania portal;
- ✓ Select the service "Application for initial registration of a natural person"
- ✓ Click the "Use" button
- ✓ Fill in the electronic form with the necessary data on the form of the company you will register
- ✓ Click the "Send" button on the last page of the form
- ✓ The BCC employee processes the incoming request and depending on the decision is taken, responds by e-mail to the applicant.

Entities, for the purposes of initial registration, also declare the mandatory data, according to tax legislation, social and health insurance such as: annual turnover,

types of taxes for which the entity registers, etc., as well as statistics such as the Code of Economic Nomenclature (NACE). These data are completed on the basis of the self-declaration in section "D" of the application form.

More information on how to complete section "D", you will find on the website of the NBC [www.qkb.gov.al](http://www.qkb.gov.al), in the section "Registration", by clicking on the link "In Time required to receive the service"

The initial registration of the business in the NBC is done within a period of 24 hours from the moment of application

**Validity period**

No deadline

**Costs**

Free of charge

An illustration about the online registration in the website below:

[https://www.youtube.com/watch?v=hBwb\\_zJ78DQ](https://www.youtube.com/watch?v=hBwb_zJ78DQ)

**3.3.6. Documents and compulsory data for initial registration**

Subjects that must register in the trade register are:

- a) Natural persons exercising commercial economic activity
- b) Simple companies under the provisions of the Civil Code
- c) Commercial companies
- d) Branches and Representation Offices of Foreign Companies
- e) Savings and Credit Unions and Companies
- f) Savings and Credit Unions and Companies
- g) Any other subject for which registration is required, based on Albanian legislation
- h) Mandatory data and supporting documentation required for registration under the legal form of the subject:

**3.3.7. Natural person**

The compulsory data for the registration of a natural person are provided in Article 30 of Law no. 9723, dated May 03, 2007, "On the National Registration Center", which are as follows:

- Identification data
- Place of Exercise of Economic Activity
- Field of activity, if it is defined
- The specimen of the signature of the natural person

**Supporting Documentation**

- Identity document of the natural person (if he is the applicant).
- If the applicant is different from the Natural Person to be registered, the Power of Attorney must be filed.

### **3.3.8. Simple Companies**

The compulsory data for the registration of a Simple Company are provided in Article 31 of Law no. 9723/2007, which are as follows:

- Duration, if defined.
- Field of activity, if defined.
- The place of trading economic activity.
- Members Identification Data.
- The value and the type of contributions of the members.
- Identification data of persons responsible for the administration and representation of the company in relations with third parties, the powers of representation and appointment terms.
- Signature specimen of Persons representing the company to third parties.

#### **Supporting Documentation:**

- If the application is to be carried out by a person authorized by all members of the company, the Power of Attorney should be filed

In the event that the parties have not entered into a written contract, the registration of a simple company may be effected by filing only the application, complete with all the required data, copies of the identification documents and signing the special acknowledgment statement, receipt and implementation of the legal provisions in force, for the organization and functioning of the simple company.

### **3.3.9. Commercial companies (Collective companies, Limited Partnership, Limited Liability Company, Private Shareholding Company):**

Documents requested for registration are:

- 1) Application that is completed and submitted by the company legal representative or other authorized person.
- 2) Company statute.
- 3) Act of appointment of the manager / legal representative of the company.
- 4) Bank Depository for capital payment (if capital is paid up).

In the case of a foreign legal partner: registration of the parent company in the country of origin,

- a) Confirmation that the company is not in liquidation or bankruptcy,
- b) Composition of the company management bodies.
- c) Copies of valid identification documents.
- d) Sample signature of the manager / legal representative of the company.

The statute should include the following information:

1. Company name
2. Legal Form of company
3. Shareholders
4. Initial capital
5. Company's headquarters

6. Company management regulations
7. Object
8. Duration of the company

### **3.3.10. Collective Company**

For the initial registration of the collective company, except as provided for in Article 32 of Law no. 9723/200, it is also obligatory to notify the type of value of the contributions of all partners, as well as their participation in capital (Article 33).

#### **Supporting documentation:**

- The Act of Establishment and the Articles of Association, if drafted as two separate documents.
- Acts of appointment of the bodies of the company, if not included in the above acts.
- Other acts required for establishment, according to the legislation in force.
- Identification document of persons responsible for the administration and representation of the company in relations to third parties.
- If the application is to be carried out by a person authorized by all partners of the collective company (who according to the law are the persons authorized to make the application for initial registration), the Power of Attorney must be filed.

### **3.3.11. Limited Company**

For the initial registration of the limited company, except as provided for in Article 32 of this Law, it is obligatory to notify the amount or value of the contributions of all partners, the portion in this amount or in this value of any partner, “unlimited” or “Limited”, as well as the total share of “unlimited” partners and the part of any “limited” partner in the distribution of profits and the amount remaining after the liquidation of the company (Article 34).

#### **Supporting documentation:**

- The Act of Establishment and the Articles of Association, if drafted as two separate documents.
- Acts of appointment of the bodies of the company, if not included in the above acts.
- Other acts required for establishment, according to the legislation in force.
- Identification document of partners, if their data are not defined in acts
- Identification document of persons responsible for the administration and representation of the company in relations to third parties.
- If the application is to be carried out by a person authorized by all “unlimited” partners of the limited company (who according to the law are the persons authorized to make the application for initial registration), the Power of Attorney must be filed.

### **3.3.12. Limited Liability Company (LLC)**

For the initial registration of a limited liability company, except as provided for in Article 32 of this Law, it is also obligatory to notify the value of the registered

charter capital, the number of parts of capital, the nominal value of each part, participation in the capital, the value and the type of contributions of each partner, as well as information on whether the initial capital subscribed is paid or not. (Article 35).

Attention: A limited liability company may not have a capital less than 100 ALL. (Article 70 of the Law No.9901/2008 “On Entrepreneurs and Companies”).

**Supporting documentation:**

- The Act of Establishment and the Articles of Association, if drafted as two separate documents.
- Acts of appointment of the bodies of the company, if not included in the above acts.
- Other acts required for establishment, according to the legislation in force.
- Document of identification of the legal representative of the company (if he is the applicant)
- Identification document of partners, if their data are not defined in acts
- If the applicant is different from the legal representative of the company, the Power of Attorney must be filed.

**3.3.13. Private shareholding company**

For the initial registration of the joint stock company, except as provided in Article 32 of this law, the following information is also obligatory:

- 1) The value of the charter capital and the paid part
- 2) The number and form of the subscribed shares
- 3) The nominal value of each share
- 4) Number of shares signed by each shareholder
- 5) the value and type of contribution of each shareholder, as well as the paid part by each of them
- 6) Special conditions limiting the transfer of shares (if any);
- 7) If there are different categories of shares, the data of letters “c” and “dh” of this article are notified for each category of shares as well as the related rights
- 8) Procedures for converting the form of shares, if provided for in the Articles of Association
- 9) Total value or a prediction of the specific costs incurred by the company for the establishment procedures;
- 10) Advantages recognized to persons who have participated in the establishment of the company or in specific transactions related to the commencement of economic activity (if any)
- 11) Identification data of the members of the supervisory council and authorized auditor, as well as the term of their appointment
- 12) Number of members of the governing bodies
- 13) Procedures for the appointment of members of the governing bodies, if they differ from the legal provisions (Article 36)

Note: A private shareholding company may not have a capital less than 3, 500, 000 ALL (Article 107 of Law 9901/2008 “On Entrepreneurs and Companies” amended



by Law No. 10475/2011 “On amendments in Law No. 9901, dated April 14, 2008 “On Entrepreneurs and Companies ”)

**Supporting documentation:**

- The Act of Establishment and the Articles of Association, if drafted as two separate documents.
- Acts of appointment of the bodies of the company, if not included in the above acts.
- Other acts required for establishment, according to the legislation in force.
- Document of identification of the legal representative of the company (if he is the applicant)
- Identification document of partners of governing bodies, if their data are not defined in acts
- If the applicant is different from the legal representative of the company, the Power of Attorney must be filed.
- Bank document confirming the payment of contribution in cash.

Subscribed shares with a contribution in cash must be settled before the company's registration, at least in ¼ of their value. When shareholders make contributions in kind, these contributions must be evaluated prior to the registration of the company by one or more experts assigned by the respective court and the subscribed shares with an in-kind contribution must be completely passed before the registration.

**3.3.14. Branch or Representative Office:**

The supporting documents required to register a branch or representative office are as follows:

- 1) Application form completed and submitted by the branch representative, representative, parent company or a legally authorized person.
- 2) Statute of the parent company.
- 3) A recent (up to 90 days prior to application) excerpt from the Chamber of Commerce, where the parent company is registered and which shows:
- 4) Registration of the parent company in the commercial register of the country of origin
- 5) Certificate that the company is not in liquidation or bankruptcy
- 6) Composition of the company management bodies.
- 7) Decision of the Board of Directors of the parent company or any other statutory authority to establish a branch or agency in Albania and to appoint their legal representative.
- 8) Parent company financial statements and auditor's report for the last financial year.
- 9) Authorization of person to submit.
- 10) Copies of valid identification documents.
- 11) Sample signature of the manager / legal representative of the company.

**3.3.15. Saving Credit Companies and Unions**

For the registration of saving credit companies and unions, except as provided for in Article 32 of this law, for commercial companies it is also obligatory to notify



the type and the value of each member's contributions to the capital of the company, whether the subscribed capital is paid, as well as the paid part, the identification data of the members of the supervisory body, the authorized accounting expert, and the term of their appointment (Article 38).

**Supporting documentation:**

- The Act of Establishment and the Articles of Association, if they are drafted as two separate documents.
- Identification Documents of the founders and members of the board of directors (Supervisory Committee, Governing Board), if their data are not specified in the acts.
- Identification document of persons responsible for the administration and representation of the company in relations with third parties.
- If the application is to be conducted by a person authorized by the Chairman of the Board of Directors (which according to law is the person authorized to make the application for initial registration), the Power of Attorney should be filed.

### **3.3.16. Mutual cooperative Associations**

For the registration of mutual cooperation companies, except as provided for in Article 32 of this law, the types and value of each member's contribution to the company's capital are also reported to the commercial companies, the fact that the subscribed capital is paid, and the paid part, determination of the territory of activity and the identification data of the members of the supervisory body, authorized accounting expert, and the term of their appointment (Article 39).

**Supporting documentation:**

- The Act of Establishment and the Articles of Association, if drafted as two separate documents. Identification Documents of the founders and members of the Board of Directors, if their data are not specified in the acts.
- Identification document of persons responsible for the administration and representation of the company in relations with third parties.
- If the application is to be performed by a person authorized by the Chairman of the Board of Directors (which according to law is the person authorized to make the application for initial registration), the Power of Attorney should be filed.

### **3.3.17. Agricultural Cooperative Associations**

Mandatory data which should be included in the mandatory acts for the registration of agricultural cooperative Associations are provided in Articles 8 and 11 of Law no. 38/2012, "On agricultural Cooperative Associations", which are as follows:

The Act of Establishment should include:

- 1) Identity of founders and administrator or administrators
- 2) A statement of meeting the criteria for being a member

- 3) The name of the Association
- 4) The object of Association
- 5) Headquarters
- 6) The capital of Association
- 7) Percentage of capital owned by each member.

The Articles of Association should contain the following information:

- 1) Denomination
- 2) Activity
- 3) Its headquarters and address
- 4) The term of the activity, if it is foreseen that the company will be established for a limited time
- 5) The subscribed capital value
- 6) The minimum amount of capital required for capital contribution as a contribution, as well as the form and deadlines for obtaining the status of the member.
- 7) The number of parts in which the capital is divided, and the value of each part according to the contribution of the members
- 8) Data for founding members
- 9) Criteria for admission of members, terms and conditions for voluntary dismissal and members' expulsion
- 10) Rights and Obligations of Members
- 11) The organs of the association, their competences, the way of functioning and decision-making
- 12) The identity of the administrator or administrators at the time of drafting the Articles of Association, as well as deadlines, removal of the administrator's responsibilities while performing the functions
- 13) The right to reimburse the contributions of the leaving members
- 14) Company's expert/accounting records

**Supporting documentation:**

- Application form for initial registration completed with mandatory data according to NBC law (to be filled in at the desk)
- Administrator Identity Documents
- Administrator specimen (signature)
- If the application is not performed by the administrator of the company, but by an authorized person from him, the applicant must submit the authorization by the administrator
- Identification documents of applicant or authorized person, Albanian citizen (electronic identification card - identity card, biometric passport)
- Articles of Association and the Establishment Act of the Company

**3.3.18. Online registration of the business**

The natural/legal person that wants to register a business must have an active account at e-albania. Afterward, the person must fill out an initial registration form depending on the type of business that wants to register.

The applicant must upload the following document A notarized authorization to represent the applicant for registration purposes if the applicant is an authorized person by the individual that wants to open the business.

**Process steps**

- Identify yourself as a citizen at e-albania.
- Select ‘Application for the initial registration of natural person’ (Aplikim për regjistrimin fillestar të personit fizik)
- Click Use
- Fill out the form
- Click Send at the end of the page

You will receive an email by the QKB clerk that receives the request.

**3.3.19. Entities with no obligation to register**

Due to applicable exemptions or the implementation of special legal provisions, some categories of entities are not required to register with the commercial registry. These include but are not limited to the following:

- a) non - profit organizations;
- b) tax representatives of non-resident taxpayers;
- c) self-employed as traveling salesmen;
- d) farmers;
- e) heads of families that employ individuals as housekeepers, caretakers;
- f) national or local public entities;
- g) embassies consular offices, representatives of foreign offices;
- h) special project implementation units;
- i) international organizations exempted by special laws;

The above entities are required to register with the tax administration.

Upon registration with the tax administration the above entities are provided with a unique identification number (NUIS) serving as their tax identification number for national and local taxes. Whilst as regards NGO’s, they have to firstly register with the competent court.

Modalities for the registration with tax authorities and necessary documents are determined here below:

**i. NGO’s**

Non-government organizations (NGO), such as associations, centers and foundations, as well as branches of foreign NGO’s should firstly register with in the court and then with Albanian tax authorities. NGO’s gain their legal personality after they are established and registered with the Albanian court, in accordance with the terms and procedures set forth by the Law no. 8789, date 7.5.2001, “On the registration of Non – Profit Organizations”. The legal framework regarding NGO’s is completed by

provisions of the Law no.8788, date 7.5.2001 “On non-profit organizations” and by the Albanian Civil Code. The NGO’s register is established at Tirana District Court.

Documents required for NGO’s registration with the court are the following;

- Request for registration;
- Articles of Association;
- Statute;
- Authorization for the representative who shall perform the registration

The above documents need to be certified by the Public Notary. NGO’s Articles of Association and Statute should also contain information and data related to the:

- full name, the logo and the special symbol (if any) of the NGO;
- legal seat;
- identification data for the founders, board members and the executive director;
- determination of the purpose and the activity of the NGO.

After the registration with the court, NGO should perform the declaration of employees with the labor inspectorate and register with the respective regional tax directorate. The registration with tax authorities is performed at the Regional Tax Department pertaining to the territorial jurisdiction.

Documents required for registration with the tax administration include:

- the Court Decision for registering;
- the request for registration
- the Articles of Association;
- Statute;
- Statement of the Executive Director on non-profit-purposes for tax exemptions;
- employee list approved by labor inspectorate.

At the moment of registration, the regional tax office issues the registration certificate, which contains also the unique identification number (UIN) of the NGO.

As regards other categories of entities that are not required to register with the NBC the registration is performed by the tax authorities following submission of the following documents:

## **ii. Tax representatives for non-resident taxpayers**

The registration procedure is performed at the Taxpayer Service Department. The following documents are required to be submitted:

- The completed registration request form;
- Agreement of Parties (representative party– represented party);
- UIN and extract of the registration with the NBC for the natural or legal person assigned as the tax representative;
- certificate of registration of a foreign company issued by the tax authority of the origin country;
- copy of the identification document for the legal representative of the entity’s representative;

- power of attorney for the tax representative;

All the documents are required to be submitted in original or certified copies, while documents issued by authorities of foreign countries must be apostilled or legalized, and translated in Albanian language.

### **iii. Self-employed as travelling salesmen**

It is considered a travelling salesman a seller who has no fixed place of business and cannot exercise any activity in more than one commercial unit. Self-employed entrepreneurs such as traveling salesmen submit to the tax administration:

- completed registration form;
- copy of the identity document;
- permit of the Municipality to trade in predetermined public places;

The tax administration issues the registration certificate and UIN with the inscription "Travelling salesmen". Upon registration as per above, the travelling salesmen are required to pay the respective social and health insurance.

### **iv. Farmers**

For registration with the tax administration and being issued with a UIN number farmers must provide the following data:

- identification document;
- residence address and contact information for that person;
- place where the farming activity will be exercised;
- areas of the agricultural production activity;
- farmer's specimen of signature.

### **v. Head of the family employing individuals as housekeepers or caretakers**

Heads of the family employing persons as housekeepers or caretakers present the following documents to register these persons with tax authorities:

- a written request;
- copy of the identity document of the Head of the Family;
- copy of the work agreement signed by the parties.

### **vi. National or local public entities**

National or local public entities register by submitting the following:

- the completed registration form;
- a description of legal basis relevant to their establishment;
- the document for their appointment and the copy of the identification document of the legal representative;
- information regarding the ownership or the use of the legal seat (lease or ownership contract).

### **vii. Diplomatic corps, such as embassies, consulates, representatives of foreign offices ;**

For registration with the tax office diplomatic corps submit:

- copy of the identification document of their representative;
- authorization for the applicant that will present the request for registration;
- a completed registration form

#### **viii. Special project implementation units**

Projects implementation units are registered by submitting the following:

- the completed registration form;
- a description of the legal basis relevant to their establishment;
- the document of their appointment and a copy of the identification document of the legal representative;
- information on the ownership or the use of the legal seat (lease or ownership contract).

#### **ix. International organizations exempted by special laws**

Exceptional specific provisions in place for these types of organizations (if any) are governed by conventions, international agreements or special laws adopted by the Republic of Albania.

### **SUMMARY OF BUSINESS REGISTRATION**

#### **1. LEGAL REFERENCE:**

- The Law no. 9723 dt 03/05/2007, on "Business Registration" as amended.
- The Law no. 9901 dt 14/04/2008 on "Entrepreneurs and Companies", as amended.

The primary obligation, to any natural or legal person seeking to exercise a commercial activity in Albania is its registration at the National Business Center (NBC).

#### **2. SUBJECTS OBLIGED TO REGISTER**

- The natural persons who carry out an economic and commercial activity;
- The Simple partnerships, according to the Civil Code;
- The Corporates;
- The Branches and representative offices of foreign companies;
- The companies and unions of savings and credit;
- Any other subject, whom is required to be registered based on the Albanian legislation;

*The subjects registered based on the Law are provided with the unique identification number (NUI/NIPT).*

#### **3. WHAT IS REQUIRED FOR THE INITIAL REGISTRATION?**

- The application form
- The submission of the application for registration at the NBC;
- The accompanying documents;

*The NBC, once the application is approved, electronically notifies the tax authorities for tax purposes and electronically transmits the subject's data (NUI/NIPT).*

#### **4. CHANGES DURING THE BUSINESS LIFE – Legal Reference**

- The Law no. 9723 dt 03/05/2007 on "Business Registration" as amended.
- The Law no. 9920 dt 19/05/2008 on "The Tax Procedures in the Republic of

Albania”, as amended.

#### **5. CLOSING THE BUSINESS (DEREGISTRATION) - Legal Reference**

- The Law no. 9920 dt 19/05/2008 on “The Tax Procedures in the Republic of Albania”, as amended.
- The Law no. 9723 dt 03/05/2007, on “Business Registration” as amended.
- The Law no. 9901 dt 14/04/2008 on “Entrepreneurs and Companies”, as amended.

### **3.4. Business Licensing**

#### **3.4.1. Legal Basis**

The scope of the Law no. 10081, dated 23.02.2009, “On Licenses, Authorizations and Permits in the Republic of Albania”, amended covers:

- all licenses and authorizations, for purposes of an economic, commercial, professional nature and any other similar nature, excluding those of a personal nature;
- all permits for the use of public goods for the above-mentioned activities, excluding the use of a public good for personal purposes.

The law sets out the principles for defining the economic activities or uses of public goods which are subject to a licensing and/or permitting process, as well as the principles for determining the conditions, procedures, periods of validity, and the causes and procedures for their revocation.

The applications for licenses and permits listed in the annex or their categories and subcategories are processed:

- by or through the NBC, as a general rule, and in this case the law defines the procedures for submitting, reviewing and deciding on an application; (Annex 1)
- without the involvement of the NBC, in specific cases, where the procedures are rendered by the institutions defined by the applicable law in force. (Annex 2).

DCM no. 538, dated 26/05/2009, “On Licenses and Permits that are processed by or through the National Business Center (NBC) and some other common sublegal amendments”, amended:

This DCM divides licenses and permits into those that are treated by or through the NBC and licenses and permits that are processed without the involvement of the NBC.

Additionally, this DCM clearly defines:

- the basic rules of licensing by or through the NBC,
- the specific licensing/permitting conditions,
- the institutions responsible for decision making,
- the time frame for making the decision,



- the validity of every license/permit ,
- as well as the taxes and tariffs.

### **3.4.2. Sectorial Legislation**

The licensing and permitting process is also based on the sectorial legislation in force which governs the fields where licenses/permits are required, by defining among other things the detailed criteria and the supporting documents required to obtain a license/permit.

### **3.4.3. Entities required to obtain a licence/permit/ authorization**

Exercising an economic activity in the Republic of Albania is subject to registration process, at the end of which, commercial entities are provided with a registration certificate and a UIN (NIPT). Exercising economic activities or performing any actions in the context of this commercial or economic activity is, as a general rule, allowed and not subject to licensing or authorization.

In exceptional cases, when provided by law, exercising an activity or performing an action is subject to a licensing or authorization process, only when both the following circumstances apply:

- Exercising an activity or performing an action in an improper manner may jeopardize the citizens' life, health or legal rights, public order and safety, national security, free competition, or proper functioning of the market, public good, social objectives or other public interests of a similar nature.
- Adequately guaranteeing the above mentioned interests cannot be achieved without a process of self-declaration, review, inspection and assessment of the fulfillment of certain predefined requirements, before the start of the activity or the performance of the action.

A License is an administrative act granting its holder the right to start exercising the type of activity where both the above conditions apply.

An Authorization is an administrative act granting its holder the right to perform one or more actions when both the above conditions apply.

The use of public goods in the territory of the Republic of Albania is, as a general rule, carried out only by entities that have been permitted to do so, based on a permit, in accordance with the legislation in force, unless the public good, due to its nature and characteristics, can be freely used by the general public, or legislation provides otherwise. Public goods will be considered state owned immovable property as well as other goods of a public nature such as air, water, natural resources, the environment in general, cultural heritage, frequencies, and other goods of a similar nature.

The use of a public good thru a permit is carried out if at least one of the following circumstances applies:

- when the permitting process is aimed at obtaining the best counter-value in the public interest;



- free use of a public good by subjects/entities that do not possess the required knowledge, technology or other necessary safeguards, may cause damage to or improper use of the public good;
- when the public good, due to its limitation in quantity, extent, space or time, or due to other reasonable circumstances, does not allow, except for a limited number of users or limited use, or when the free use of a public good by an unlimited number of subjects/entities or without limitations on quantity, extent in space or time, may cause damage to or improper use of the public good;

A Permit is an administrative act granting its holder the right to use a public good, in accordance with the conditions set out therein, when the above conditions apply.

Any natural person or legal entity that has already obtained a UIN (NIPT), that performs an activity and/or uses a public good and/or performs one or more actions of an economic, commercial, professional or any other similar nature, with the exception of those of a personal nature, that are included in the areas, categories or subcategories listed in the annex of law no. 10081/2009, is required to obtain a license/permit/authorization.

#### **3.4.4. Licensing/permitting criteria and conditions.**

##### **a) Licensing/permitting criteria and conditions, and the supporting and accompanying documents required in the licensing/permitting process.**

Licensing or authorization conditions are based on principles of: proportionality, debureaucratization and reduction of administrative barriers. They must adequately respond to the public interests they are meant to guarantee, and may include:

- professional or physical skills,
- experience or knowledge,
- organization,
- mastery of a certain technique or possession of a technology,
- financial standing or guarantees,
- legal status,
- or standards of conduct and ethics.

The licensing or authorization conditions are defined and stated, based on objective, measurable, simple and comprehensible indicators. Any applicant who meets the licensing or authorization conditions shall be granted the right to exercise the activity or carry out the action for which the license or authorization is required.

Permitting conditions, for any kind of public good, are based on the principles of preservation, growth, and proper use of the public good, maximizing public benefit, as well as proportionality, debureaucratization and elimination of unfair discrimination. Like licensing conditions, permitting conditions are defined and stated, insofar as possible, into objective, measurable, comparable, simple and comprehensible indicators.

Permitting conditions and criteria must adequately respond to the public interests they are meant to guarantee and may be of:

- qualifying nature, which serve to select applicants that meet the minimum and/or necessary requirements for using the public good,
- and/or competing nature, which serve to identify the applicant that offers the most appropriate use and/or the best counter -value, compared to other applicants who have met the qualifying criteria.

The specific licensing/permitting conditions and criteria, as well as the documents that prove their fulfillment are clearly defined in DCM no.538/2009 and in sectorial legislation.

Based on DCM no. 538/2009, one condition that must be fulfilled for almost all licenses is the sufficient expertise and experience of the personnel, which can be proved by submitting the certificate of competency along with the work contract of the Technical Director, the person who is responsible for the technical and professional aspects of the activity on behalf of the entity applying for a license/permit.

Another condition that must be fulfilled for most licenses is that the equipment, technology and premises adequately meet the service standards required. This can be proved by submitting proof of ownership or a rent or use agreement, along with a floor plan of the premises which is signed by a certified engineer/architect, as well as the documents that prove the possession of the necessary equipment (*which in most cases is in the form of a self-declaration*)

Some specific licenses may require the fulfillment of other criteria such as the adequate organization and rules for performing the activity, financial reliability, etc.

#### **b) The division of licenses and permits into groups**

Applications for licenses and permits listed in the annex of law no.10081/2009, or their categories and subcategories, are processed, as a general rule, by the NBC and, in specific cases, by the institutions defined by the appropriate law in force, without the involvement of the NBC.

In accordance with the application procedures, the decision time frames, and the documents that are required, licenses and permits that are processed by or through the NBC are divided into three groups:

- *Group 1* includes those categories or subcategories for which the evaluation of the fulfillment of the licensing criteria is based solely on the applicant's self-declarations. The NBC reviews applications for group 1 in the order they are received and makes a decision within a period of 2 working days from the application date.
- *Group 2* includes those categories or subcategories for which the evaluation of the fulfillment of the licensing criteria, besides self-declarations, is also based on supporting documents presented by the applicant. The NBC reviews applications for group2 in the order they are received and makes a decision within a period of 4 working days from the application date.
- *Group 3* includes those categories or subcategories for which the evaluation of the fulfillment of the licensing criteria, besides self -declarations and supporting documents presented by the applicant, requires a process of inspection, testing, competition, interview, hearing or other method of

evaluation. The NBC takes group 3 applications under preliminary review, and evaluates only the fulfillment of the criteria in NBC's purview, based on self-declarations and supporting documents presented by the applicant. If the NBC finds that there is reason to reject the application, it makes a final decision to reject the application. Otherwise, the NBC publishes in the National Register of Licenses, Authorizations and Permits the preliminary decision to pass the application to the second phase of review, by electronically forwarding it to the other decision-making institution. The other institution, within a determined time frame, reviews the fulfillment of the criteria under its purview, by performing an evaluation, inspection, organizing a test or competition, interview or hearing or any other method, and expresses their approval or refusal on the fulfillment of the criteria under their purview. The refusal must include the reasons for it. The refusal or approval decision is immediately published in the National Registry of Licenses, Authorizations and Permits.

The time frames other institutions have to make a decision vary for different licenses and permits and are approved by DCM no. 538/2009 or by sectorial legislation. This time frame starts from the day the NBC publishes their preliminary decision.

With the exception of cases where it is explicitly expressed otherwise, all time frames are expressed in working days.

In cases where the NBC or the other decision-making institution do not publish their decision on the refusal or approval within the legal time frame, or when the refusal decision does not include the reasons for the refusal, the application is considered as automatically approved by silent consent, and the electronic system generates the approval decision immediately and publishes it in the Registry.

#### **3.4.5. The national registry of licenses, authorization and permit.**

The National Registry of Licenses (NRL), Authorizations and Permits is an integrated electronic portal that serves as a procedural instrument, publication/ announcement instrument and as an official electronic archive. It guarantees transparency in the area of licensing, authorizing and permitting.

The Registry contains detailed information on the procedures, criteria, documents required and time frame for all licenses and permits handled by or thru the NBC, as well as the appropriate legal basis.

The Registry contains:

- every application for obtaining a license/permit, or changes to existing licenses or permits;
- any final decisions on the refusal or approval of these application;
- every license or permit ever issued;
- any decision or order for the re-fulfillment of criteria, or correction of a violation of the obligations of a license/permit, the suspension of a license/permit;
- every decision for the revocation of a license or permit.

All these data are freely accessible by the general public on the NBC's official web page.

Any institution that has any authority in reviewing an application, inspecting, suspending, revoking or that reviews an administrative appeal on decisions that have been taken in exercising these authorities, has direct access to the Register and has the obligation to publish all their decisions, unless otherwise provided for in law no. 10081/2009.

#### **3.4.6. The procedures for submitting, reviewing and decision-making on a license/permit application**

##### **a) The person in charge of submitting the application for a License/permit**

The application is submitted at the NBC service windows by the legal representative of the entity that is applying for a license or a permit, or a person duly authorized by them. When the application is submitted by an authorized person, along with the supporting documentation, the authorized person must also submit documentation that proves that they are authorized. The authorization document must be in the form of a power of attorney signed before a notary or, in the case of legal entities, it may be a simple written authorization signed by the legal representative, with the seal of the legal entity.

##### **b) The supporting documents that must be submitted during the application**

The person that submits the application, during the application, must submit all the required supporting and accompanying documents as defined by Law no. 10081/2009, DCM no. 538/2009 and, in specific cases, by sectorial legislation.

The documents that must be submitted for applications for Group 1 licenses are:

- act of registration of the entity in accordance with legislation in force (for entities registered in the commercial registry this is generated by NBC);
- legally recognized identification document of the person who is submitting the application;
- authorization document, when the person who is submitting the application is not the legal representative of the entity;
- self-declarations of the entity on the fulfillment of the licensing criteria.

The documents that must be submitted for applications for Group 2 and 3 licenses or permits are:

- act of registration of the entity in accordance with legislation in force (for entities registered in the commercial registry this is generated by NBC);
- legally recognized identification document of the person who is submitting the application;
- authorization document, when the person who is submitting the application is not the legal representative of the entity.
- self-declarations of the entity on the fulfillment of the licensing criteria.
- written acts by a public or private institution, or acts prepared by the entity that prove the fulfillment of the licensing/permitting criteria.

##### **c) How to submit a license/permit application**

License/permit applications can be submitted in one of two ways:

- at one of NBC's physical service windows;
- on-line, via the electronic service window.

The NBC has published on its official website the addresses and contact information for all of its service windows. Currently the NBC provides its services in 35 service windows spread out in the territory of Albania, which are also listed in Annex 3.

#### **d) The application process at NBC's physical service windows**

The application may be submitted at one of NBC's physical service windows, after the application fee has been paid, by filling out the standard application form and submitting the supporting and accompanying documents.

The relevant documents are submitted in original, notarized copies, or copies accompanied by the original (which are notarized copies by the service window clerk). After being scanned by the NBC service windows clerk, the documents are returned to the person who is submitting the application (only the electronic version is kept).

When a document that proves the fulfillment of a licensing or permitting criterion, or the data declared by the applicant are available in electronic registries of other public institutions, and are accessible by the NBC, then the applicant is not required to submit them.

At the end of the application, the applicant is presented with an application confirmation and the application is forwarded to the registrar for review.

The service window clerk is responsible for informing interested parties, filling out the standard license/authorization application form with the information declared by the applicant, and uploading the supporting and accompanying documents into the electronic system. After the review of the application, the service window clerk hands out the title of the license/permit or the rejection decision document to the applicant.

#### **e) The application process at NBC's electronic service windows**

The license or permit application and the relevant documentation may also be submitted at NBC's service window, thru the electronic portal e-albania. Before submitting the application, the applicant must register in the portal as a commercial entity, and obtain a user name and password. Any applicant can then submit an electronic application by filling out the application form and uploading the scanned supporting and accompanying documents.

After the application has been submitted at the portal of e-albania, it is processed according to the same procedures as applications submitted at physical service windows.

If an application submitted at the electronic service window is approved, the application will have an "Approved – Waiting for the original documentation" status and will be sent to the service window clerk for the verification of the original documentation at the moment that the applicant will be at the physical service window. When the applicant goes to the service window to withdraw the title of the

license/permit, they will have to present the original documents or notarized copies, which were uploaded into the system by the applicant during the application.

After the service window clerk verifies the documents presented, they print the title

**f) The review of applications by the NBC registrar**

Applications submitted at the service windows are automatically distributed among NBC's registrars by the electronic system. For all license or permit applications, the registrar verifies whether:

- the person that has submitting the application is the person that may submit the application
- the service fee has been paid
- the application form is complete, is free of corrections, and its content is clearly visible or legible
- all the required documents have been submitted, they are in the required form, are free of corrections or erasures, in accordance with legal dispositions and their content is clearly visible and legible.
- all the required self-declarations have been submitted
- the entity fulfills the required licensing or permitting criteria

After reviewing an application and the documentation for a Group 1 or 2 licenses, the registrar decides on the final approval or refusal of the application, within the legal time frame. The registrar's decision is automatically published in the National Registry of Licenses, Authorizations and Permits. In the case of a refusal of an application, the refusal also contains the reasons, whereas, upon the publication of the approval decision the systems automatically generates the title of the license which can be withdrawn by the applicant at any NBC service window. In the case of a Group 3 licenses or permit, if, after reviewing the application and the documentation, the registrar decides on the refusal of the application, the final refusal is automatically published in the National Registry of Licenses, Authorizations and Permits.

If the registrar decides on the preliminary approval of the application, the preliminary decision is published in the Registry and the application is electronically forwarded to the other institution involved in the review of the licensing or permitting criteria.

**g) The reviews of Group 3 license/permit applications by the other institution responsible for decision-making**

The other decision-making institution, after reviewing the fulfillment of the licensing/permitting criteria under their purview, by performing an inspection, evaluation, testing or any other method, makes a decision on the approval or refusal of the application, within the legal time frame. The other institution has the right to request only one extension, for a period not longer than the original time frame for reviewing the application.

The approval act, or the refusal act along with the refusal reasons, are published in the Registry by the other institution, or is sent to the NBC for publication via an official letter.



Failure of the other institution to publish an answer within the legal timeframe is considered as an approval by silent consent, and the approval by silent consent is automatically published in the Registry.

Applicants are notified automatically (by sms or electronic mail) on the status of their application, and its approval or refusal.

#### **h) Re-application**

In the event of the refusal of a license or permit application, after having corrected the causes for the initial refusal, the applicant has the right to apply again for the required license or permit. A re-submitted application after a refusal is processed as a new application, in accordance with the same conditions and procedures as the previous application.

In case of a re-application, the applicant may submit only those documents which prove that the reasons for the refusal of the previous application have been corrected, as well as any documents that were submitted in the right form in the previous application; however they have lost their validity during this period.

#### **i) Service fees**

The administrative service fees for license/permit applications are paid by the applicant before starting an application. The service fees at the NBC are:

**Table 5: Administrative service fees for license/permit applications**

No	Services	Fee (in AL leks)
1	Application for licence	100
2	Application for permit	100
3	Application for changes to the title of a license/permit that affect the licensing/ permitting criteria	100
4	Application for the extension of the validity of a license/permit and for changes that do not affect the licensing/permitting criteria	50
5	Applications submitted at the electronic service window	0

For some group 3 licenses and permits, sectorial legislation provides for specific taxes and fees which are payable in the amount, installments and manner defined by legislation in force.

In cases when a tax or tariff is applicable, and the applicant does not submit proof of payment within 30 calendar days from the publication of the approval decision, the title is considered automatically revoked.

#### **j) Validity period, changes, revocation of a license/permit**

##### **➤ The validity period of a license/permit**

The validity period of a license or permit is, as a general rule, unlimited with the exception of a few cases where sectorial legislation provides otherwise. However, the

entity has the obligation to fulfill the licensing/permitting criteria as well as legal obligations in force throughout the validity period of the license or permit.

An extension of the validity period is possible only when the appropriate legislation provides so, and only based on the conditions provided for. The request for the extension of a validity period is processed the same way as a new application of the same group.

➤ **Changes**

During the performance of an activity factual changes of the data in the title may occur, which may or may not affect the licensing or permitting criteria. In any case, the entity should go to the NBC in order to apply for the changes to the title of the license/permit.

**i. Changes that do not affect the criteria**

In case of factual changes of the data in the title, which do not affect the licensing or permitting criteria, the entity submits an application for change within 30 days. The application is processed in accordance with the procedures of Group 1, and must contain the data that should be changed. When the NBC notices that it is dealing with such a case, it makes the changes to the title and issues the new one within two days from the submission of the application.

Because for Group 3 licenses and permits the license/permit title includes the annex (approval act) issued by the other institution, the NBC forwards the application for notification purposes to the other institution responsible for the approval of the license/permit that is being changed.

**ii. Changes that affect the criteria**

In the event of a factual change on the data on a license/permit title that affects the licensing/permitting criteria, the entity immediately submits an application for change at the NBC service windows. When the changes are such that the licensing/permitting criteria are no longer fulfilled, the entity must voluntarily suspend the activity or the use of the public good.

The application for change is comprised of the application form and the appropriate supporting documents, only for the criterion that has been affected by the change, and is processed the same as a new application.

If the submitted documents along with the application do not prove the fulfillment of the criterion that has been affected, the license/permit title may be revoked.

**iii. Revocation**

The title of a license/permit may also be revoked voluntarily by the entity, or the other decision-making institution.

In the case of a voluntary revocation, the licensed/permitted entity goes to the NBC service window and submits the accompanying documents (act of registration of the entity in accordance with the legislation in force, identification document of the person who submits the application, authorization document when the person who submits the application is not the legal representative of the entity) and the request for voluntary



revocation of the license or permit title. At the end of the application procedure, the application is forwarded for review to a registrar who, after reviewing the documentation, decides on the approval or refusal of the application for revocation. The approval decisions, or the refusal decision along with the reasons for the refusal, are published in the National Registry of Permits, Authorizations and Licenses.

A license or permit may also be suspended or revoked by the responsible institutions when they ascertain that the entity no longer fulfills the licensing or permitting criteria, or infringes on the obligations stated on it. The suspension or revocation order is published in the Registry by the authority responsible for the suspension or revocation, or is sent to the NBC for publication.

### **k) Special authorization**

The activities requiring special authorization are mainly those related to public health and safety. Based on their legal status, these are the following categories of activity:

- Security services for persons, buildings, businesses etc.;
- Food production, processing and marketing;
- Medical, hospital and first aid services;
- Production, marketing and sale of medicines;
- Production and processing of tobacco products;
- Construction and activities with environmental impact;
- Extraction and marketing of petroleum and its products;
- Extraction and services related to natural resources;
- Legal - notaries services;
- Transport (passenger and non-passenger) and mail;
- Education and training services;
- Fuel and energy services;
- Fisheries, aquaculture, farming and trade in animals;
- Waste recycling - waste treatment;
- Manufacture and trade of weapons, military equipment and dual-use products;

The licenses issued by the National Licensing Center are of three types.

The first (group 1) relates to licenses issued upon application - declaration of the person who is interested, without the need for further formalities. The second (group 2) relates to licenses requiring submission of the required supporting documents, while the third (group 3) licenses require an inspection by the National Licensing Center.

Administrative licensing fees are:

a) Lek 100 (one hundred) for licensing or change of license title related to licensing criteria and

b) Lek 50 (fifty) for license extension and for unrelated changes with licensing criteria.

The payment of administrative fees may also be certified at the local post office by application with delivery notice.

In the case of group 3 licenses and of special licenses, sectoral legislation may provide for an additional fee to be paid to the competent Ministry and / or Ministries who are involved in the licensing / licensing process. Proof of payment is submitted to the National Business Center at the time of the authorization.

Changes to the information listed on the license must be notified to the National Licensing Center within 30 days. In the event of changes to the data that establish the criteria for granting a license, except from the case that the National Licensing Center is required to be notified, it is also needed to be notified the Licensing Authority as well, while the licensee ceases its activities until the license examination has been completed from the Competent Authorities.

## 4. TAX LEGISLATION

### 4.1. Business taxations

Tax regime in the Republic of Albania consists in a package of laws, directives, regulations, tax agreements with other countries which display a complete review of all kinds, levels, calculations, procedures, as well as the methods and forms of tax control for taxes included in the Albanian tax system.

The legal base is the Law no. 9920, dated 19.5.2008 on "TAX PROCEDURES", amended. Tax legislation in Albania is managed through the General Tax Department. Due to rapid development of the economy, tax legislation is subject to frequent amendments and changes.

Until 31.12.2015, businesses in Albania with an annual turnover of up to LEK 8 million were considered small businesses and subject to "simplified taxation on profits for small businesses", according to Law No 1881/ 28.12.2013, which amended Law 9632/30.10.2006 "On the system of local taxes" (regulation no 32/ 31.12.2013 of the Directorate-General for Taxation at [www.tatime.gov](http://www.tatime.gov)).

Specifically, small businesses with a total income of up to Lek 2 million were taxed at a fixed amount of Lek 25,000 (approximately EUR 180), with an obligation to pay within the first half of each financial year. Small businesses, with total revenues of 2 million Lek to 8 million Lek (approximately 57,140 Euros), subject to a 7.5% tax rate. The tax due is prepaid in four quarterly installments (on the 20th of the following month and the last installment is paid on the 20th of December), with annual clearance being paid until the 10th of February of the following year.

Large corporations with a turnover of more than Lek 8 million are taxed at a rate of 15%.

From the date of 1.1.2016 the law No 142 / 2015, which, inter alia, includes modifications of law No 9632/30.10.2006 regarding local taxes, businesses with a turnover below 5 million lek (about 36.000 €) are exempt from tax. Also, the tax for businesses with a turnover of 5 million lek to 8 million lek (about 58.000 €) fell to 5%. Large corporations with a turnover of more than lek 8 million continue to be taxed at a rate of 15%.

**Table 6: Business Taxation from 1.1.2016**

No	Turnover	Tax Rate or taxation
1	Up to 8 million Lek	0%
2	5 million Lek - 8 million Lek	5%
3	More than 8 million Lek	15%

The accounting year is the same as the calendar year. Businesses advance their tax income on a quarterly basis (up to the 30th of the third month of each quarter) or may choose to make monthly payments (up to the 15th of each month).

Newly established production companies will not be entitled to make the above payments for a period of 6 months or until the end of the financial year if the period is shorter.

The amount of monthly profit tax advances is calculated on the basis of the reference year as follows:

- For the months January to April, based on the preceding year's revenue the immediately preceding one.
- For the months May to December, based on revenue from the previous year.

If the business proves that this year's taxable income will be significantly lower than that of the reference year, the Competent Authorities can reduce the amount of advances. In this case, however, if the total tax due at the end of the year exceeds the amount of monthly advances by more than 10%, interest will be payable on the difference. Tax authorities can also increase the amount of advances if they consider that their taxable income this year will exceed 10% of the reference year's income. Businesses that have suffered losses in the reference years calculate the amount of advances based on their forecasts for the current year.

Businesses must submit their annual tax return and pay the difference, which may arise between the amount of advances and the total tax due, by March 31 of the following year. In case of non-compliance with applicable procedures and non-compliance with deadlines, fines and interest shall be imposed.

In the case of arrears, an interest rate of 120% shall be charged on the interbank rate. In the event of non-filing a tax return, a fine of 10,000 lek (approximately EUR 70) is imposed, and if non-filing constitutes a tax evasion, a fine equal to the amount of tax evasion is also imposed.

Tax entities in the country are required to withhold and pay to the Albanian state a 15% tax (unless there is a Double Tax Avoidance Agreement) on their gross payments for dividends, profit distribution, interest, royalties, rents, administrative, financial and insurance services, etc., to other entities, domestic or foreign, not listed in the Albanian tax registers.

Law No 99/2015, which entered into force on 12.11.2015, amends Law No 9920/2008 "On Tax Procedures in the Albanian Republic", on various points regarding the registration of companies, the documentation and the fines imposed.

The new law provides that a buyer may not pay for goods or services if the seller does not issue a legal document for the transaction.

Furthermore, restrictions are imposed on wholesalers so as not to engage in retail. Specifically, by 31.03.2016, sales to natural persons should not exceed 10% of the value of goods sold in the corresponding month of the previous year (excluding VAT). Beginning on 1.4.2016, taxpayers involved in wholesale trade will not be allowed to make retail sales.

For companies whose statements and tax returns are certified by certified auditors, this is taken into account by tax administration in risk analysis. However, in the event that an audit is conducted and an irregularity is found, the audit company will also be fined. Until 31.12.2015, companies are given the opportunity to correct any errors and omissions in previous years' declarations, without penalty, only by paying their respective taxes and surcharges.

## **4.2. General tax provisions**

Taxation in Albania is determined on the basis of residency. A company is considered resident in Albania if incorporated in Albania or the effective place of management is in Albania. An individual is considered resident taxpayer if it is domiciled in Albania or stays in Albania for more than 183 days in the last 365 days. Resident taxpayers are subject to corporate income tax on their worldwide income while foreign entities are subject to tax on income sourced in Albania.

The fiscal year in Albania is identical with the calendar year; the tax period begins on 1 January and ends on 31 December. Documents, books and records, should be maintained in Albanian Lek, and kept for 10 years. Tax returns are filed by taxpayers based on a self-assessment system.

Main taxes and tax procedures:

1. **Small Business Tax (SBT)** is not important in its tax revenue share, but it is crucial for the tax compliance levels and fairness of the tax system.
2. The **corporation income tax** (profit tax) and the income tax legislation in general originate from end 1998 and it is amended many times latter. Actually the profit tax is levied at a general flat rate of 15%, but, small businesses with an annual turnover less than 5 million ALL are exempted from profit tax, while businesses with an annual turnover up to 14 million ALL are taxed at 5%.
3. The **personal income tax** in Albania is mostly based on a withholding tax system, obliging companies or individual entrepreneurs to withhold tax on payments to individuals (employees or others). Personal income tax is levied at a flat rate of 15% on gross income, except for dividends 8% and employment income which are taxed at progressive rates 0%, 13% and 23%.
4. **Social and health security contributions** are determined as percentages on the gross salary and cannot be levied under a certain minimum monthly salary (currently 26.000 ALL) and above a maximum salary (114.670 ALL). A monthly salary in excess of 114.670 ALL is not subject to social insurance contributions. Social insurance contributions are made at a rate of 24.5 % of the gross salary (15 % by the employer and 9,5% by the employee). In addition, health contributions are calculated on the gross salary without minimum or maximum levels at a rate of 3,4% on the gross salary (1,7% by the employee and 1,7% by the employer).
5. The **Value Added Tax (VAT)** is imposed on all goods and services made or supplied in the territory of Albania by taxable persons and all importations of goods into the territory of Albania and has the most important share in country tax revenues. The VAT rate is 20 %, except for the cases when a 6% rate or a zero percent rate is applicable, as provided for in the VAT law. The 6% rate applies to the collection of fresh agricultural products and tourism activities and facilities, as well as to advertisements in electronic media. The VAT rate is zero in the case of exportation of goods from the territory of Albania and international transport of goods and passengers.
6. **Excise duties** (taxes) are levied on the domestic consumption of certain goods such as tobacco, cigarettes, beer, wine, cognac, whiskey and all other alcoholic

drinks, coffee, electric energy and petroleum, and oil by-products, etc., and are administered by customs authorities.

7. **Local taxes, fees, and tariffs** (administered by the Municipalities) consist of the local tax on small businesses, the property tax, the hotel tax, the tax for the impact on infrastructure, the tax on alienation of immovable properties, and other local taxes and tariffs which include some tariffs on the occupation of public areas, advertisement fees, etc.

### **4.3. The Tax on Small Business**

Small entrepreneurs (sole proprietorships, partnerships or legal entities) which have a gross annual turnover up to ALL 8 mil are subject to simplified profit tax, regulated by Law No.9632, dated 30.10.2006 “Local taxes system”.

These taxes are collected by the relevant municipality. Law No. 9632 requires every taxpayer to register with the relevant municipality before starting their activities. The amount of simplified profit taxes depends on the turnover during the previous fiscal year (or estimation for the first year) and also varies by the type of activity. The simplified profit tax must be paid in four installments:

#### **Taxable**

Income Total income from small business activity means any income earned during the tax period and includes, but is not limited to:

- income from the supply of goods and services,
- participation income,
- interest income,
- income from the use of movable and immovable property, etc.

Taxable income or taxable profit results as a difference between:

- total income earned during the tax period with,
- known expenses.

#### **Clarification:**

- Recognized expenses are those incurred for the purpose of earning, securing and retaining earnings, to the extent that such expenses are proven and documented by the taxpayer, and when they are subject to the limitations specified by this law.
- Unrecognized expenditures are those set forth in Article 13 of Law No. 9632, dated 30.10.2006 “On the Local Tax System”, as amended.

#### **Tax rate**

The tax rate applicable on taxable profit for taxpayers subject to simplified taxation on small business profit, with annual turnover of ALL 5 (five) to 8 (eight) million, is 5%.

Simplified profit tax, for taxpayers with annual turnover from 0 (zero) to 5 (five) million ALL, is 0 (zero) ALL per year.

**Keeping documentation**

For each sale made, you are required to:

- Issue a simple tax invoice to any taxable purchaser receiving the supply.
- For each individual final consumer buyer, he is obliged to issue a tax voucher from the fiscal device.
- Other documents adopted in other legal or sublegal acts (eg passenger transport tickets, tax receipt).

Every purchase is obliged to justify:

- VAT tax invoice when the purchase is made to persons registered as VAT taxpayers.
- Simple tax invoice, when the purchase is made to persons registered as taxpayers of simplified income tax and are not VAT taxpayers.

**Taxpayers are required to maintain:**

- sales book, chronologically recording each sale made with a simple tax invoice and the total daily sales made with tax vouchers;
- the book of purchases, where they record in chronological order any purchase made with tax invoice, VAT, with simple tax invoice;
- expense and income book;
- book of business assets.

**Clarification**

For taxpayers, simplified taxation entities for small business that are registered with VAT, sales book and purchase book held for VAT effects, serve as well as simplified tax effects on profit tax. small business.

**Tax prepayment**

The simplified income tax prepayment installments for the following year, for taxpayers with annual turnover of ALL 5 (five) to 8 (eight) million, are calculated based on the data of the tax declaration of the previous year. .

**Clarification**

For taxpayers registered for the first time during the year, the simplified income tax is calculated on the basis of the taxable profit and turnover projected by the taxpayer himself for the period from the date of registration to the end of the first calendar year.

The form and content of the annual tax return shall be determined by instruction of the Minister of Finance.

During the following tax period, the taxpayer pays, to the commercial banks and the Albanian Post Office, on behalf of the tax administration, each year according to the deadlines:

- by April 20th installment payment I;
- by July 20th installment payment II;
- by October 20th installment payment III;



- by December 20th installment payment IV.

Upon making the payment and receiving the bank confirmation of payment, the taxpayer goes to the regional taxpayer service offices and, upon filing the bank payment document, receives the installment's "Tax Stamp", which places the registration certificate above (TIN).

**Careful!** If the business activity is opened, closed or suspended during the fiscal year, the simplified tax on small business profits is commensurate with the time the business is conducted and is calculated based on the taxpayer's self-declaration.

#### **The declaration**

- Each taxpayer, subject to the simplified tax on small business profits, with a turnover of ALL 5 (five) to 8 (eight) million, is required to submit an annual tax return by February 10 of the year following the tax period, detailing total income, deductible expenses, taxable profit, tax payable, and any other details specified by the instruction of the Minister of Finance for completing and submitting the annual tax return.
- All taxpayers of the simplified tax on profit with annual turnover from 0 (zero) up to 5 (five) million ALL have the obligation to submit the annual declaration in the above deadline. These taxpayers shall complete this statement in the manner specified in the instruction of the Minister of Finance.

### **4.4. Corporate Income Tax**

The Corporate Income is applied on the statutory income statement after adjustments according to the tax law. The standard tax rate is 15%, a reduced rate of 5% is applied to small companies which invoice up to 14 million LEK per year and to the following types of taxpayers, regardless of turnover:

- IT companies that develop and maintain software
- Agro-tourism entities
- Agriculture cooperatives

In addition, four-star and five-star hotels are exempt from corporate income tax for a period of 10 years provided they have met the criteria for obtaining a special status until December 2024.

Generally, business expenses may be deducted in calculating taxable income provided that they are related to activities necessary for generating taxable income. Some expenses are explicitly non-deductible such as for example:

- Cost of benefits in kind
- Representation expenses exceeding 0.3% of annual turnover
- Cost of land and property acquisition
- Voluntary pension contributions
- Fines or penalties
- Reserves or special funds (excluding certain reserves as provided by the law)
- Expenses which are not properly backed up by supporting documents
- Salary expenses if not paid through the banking system
- Expenses paid in cash exceeding 150,000 Lek



- Interest expenses that exceed the annual average rate published by the Bank of Albania

Tax losses can be carried forward for three tax periods (years) according to the “first loss before the last one” principle. The tax loss cannot be carried forward if the ownership of stock capital or voting rights of an entity changes by more than 50% in value or number.

Thin capitalization rules apply if interest bearing loans exceed by four times or more shareholder equity (excluding short-term loans). The interest paid on the excess principal is non-deductible. Banks, insurance companies and leasing companies are not subject to thin capitalization rules.

Albanian tax authorities can adjust taxable profits if the transaction between related parties is not at arm’s length. Transfer pricing adjustments are made by the tax authorities through the Commission of Transfer Pricing in the General Tax Directorate.

The dividends received from a resident company are not subject to corporate tax in Albania.

#### **4.5. Withholding Tax**

An Albanian entity which makes payments to non-registered entities for services it provides to the entity is required to withhold from the invoiced amount and pay Withholding Tax (WHT) to the tax authorities.

The standard withholding tax rate in Albania is 15%, unless the rate is reduced under an applicable tax treaty.

An Albanian entity which makes payment to a non-registered or foreign entity for services and other types of transactions, sourced from the Republic of Albania is required to withhold the withholding tax from the gross invoiced amount. Withholding tax is applicable to:

- Dividends (reduced to 8% starting from 01/01/2019)
- Interest
- Royalties and copyright
- Technical services and management fees
- Financial and insurance services
- Payments for construction, installation and related supervisory work
- Rental payments
- Payments for the performance of entertainment activities

The dividends paid to resident companies are not subject to withholding tax in Albania. Also, repatriation of profits by branches of non-resident companies is not subject to dividend tax in Albania (this exemption is not extended to subsidiaries).

The taxpayer is required to pay the withholding tax to the tax administration not later than the 20th of the month following the month in which the payment was made to the provider of the services.

### ***Double Tax Treaties***

Albania has entered into double taxation avoidance Agreements with various countries. The countries with a tax treaty with Albania are the following:

**Table 7: The countries with tax treaty with Albania**

Austria	Germany	Macedonia	Serbia
Belgium	Greece	Malaysia	Singapore Slovenia
Bosnia-Herzegovina	Hungary	Malta	South Korea
Bulgaria	India Ireland	Moldova	Spain
China	Iceland	Montenegro	Sweden
Croatia	Italy	Netherlands	Switzerland
Czech Republic	Kosovo	Norway Poland	Turkey
Egypt	Kuwait	Romania	United Kingdom
Estonia	Latvia	Qatar	UAE
France	Luxembourg	Russian Federation	

### **4.6. Personal Income Tax**

Residents are taxed on their world wide income whereas non-residents are taxed only on their Albanian source income. An individual is considered resident if they are physically present in Albania for a total of more than 183 days within a tax year.

Personal income tax is calculated on the income of individuals.

- Resident individuals are subject to personal income tax liability for all sources of income during the tax period.
- Non-resident individuals are subject to personal income tax during the tax period for sources of income realized in the territory of the Republic of Albania.

#### **Taxable income:**

- salaries and other remuneration related to current employment relationships;
- income derived from the acquisition of a partner or a shareholder in the company;
- bank interest or securities interest income;
- income derived from copyright and intellectual property;
- income from emphyteusis, loans and rents;
- income from the transfer of ownership of immovable property;
- individuals' income from gambling and casinos;
- income from the difference between the sale price and the purchase price of a quota or stock that a partner or shareholder owns and sells to another person;
- monetary income for raising capital from sources outside the company that are not previously taxed while taxed and are not accompanied by official documents proving the origin of such income. Procedures are determined by the instruction of the Minister of Finance;
- other income, not identified in the forms presented.

### Dividend income

Dividend income is generally taxable, unless the participation exemption or a double tax treaty relief is applicable.

Dividends and distribution of earnings are excluded from a resident company's taxable profit when dividends and earnings are distributed from resident companies or partnerships which are subject to corporate income tax.

No participation exemption is in place for holdings in foreign companies. Consequently, dividends received from foreign companies would be included in taxable income.

Dividend distributions to non-residents are subject to a withholding tax of 10%, unless a double tax treaty provides for a lower rate.

### Payroll Tax

Employers are required to withhold personal income tax on gross salaries on a monthly basis and pay to the tax authorities not later than the 20th of the following month. The taxes applied to income from employment are the following:

**Table 8: Income tax paid by employee**

Monthly Taxable Income (in ALL)	Tax amount (in ALL)
0 – 30,000 ALL	Non taxable
30001-150,000 ALL	13% of the amount above 30,000 ALL
above 150,000 ALL	15,600 ALL + 23% of the amount above 150,000 ALL

Any employer who pays an employee a salary or remuneration shall withhold personal income tax and pay tax withheld in favor of tax authorities no later than the 20th day following the month in which the payment is made.

Persons resident in Albania, central and local government bodies, non-profit organizations and any other entity recognized by the applicable legislation are required to withhold 15% of the gross amount of the following payments, arising from a source in the Republic of Albania, specifically:

- dividends;
- profit divisions;
- interests;
- payments for copyright and intellectual property;
- payments for technical services, management services, financial and insurance services;
- payments for management and participation in management councils;
- payments for construction, installation, assembly or related supervision work;
- rent payments;
- payments for performances of actors, musicians or sportsmen for their performances;

- the income of individuals from gambling and casinos.

The payer of the amounts is obliged to keep records for the calculation and withholding of tax for each income beneficiary and to make them available to the tax authorities and the income beneficiary for which the payment has been made.

A resident person registered for tax purposes who makes the payments provided for in Article 33 of Law No. 8438, dated 28.12.1998, "On Income Tax", as amended, declares and pays withholding tax, at 15% of gross payment amounts until the 20th of the month following the month of payment.

An exception to this rule is the withholding tax declaration and payment for:

- dividends as well
- for unqualified invoices for expenses for technical, consulting and management services, invoiced by third parties for which no tax was withheld within the tax period by the taxpayer.

#### **Careful**

- For dividends, the withholding tax declaration and payment is made within August 20 of each year, regardless of when dividends will be paid to beneficiaries.
- For uncollected invoices for technical, consulting and management services, the withholding tax declaration and payment must be made by December 20 of the tax period, regardless of the time when their liquidation will take place.

#### **No withholding tax on payments made for:**

- Albanian resident persons, registered as taxpayers of profit tax and value added tax or persons registered as local taxpayers on small business;
- dividends and other earnings distributions for Participations that are exempt by law from tax on profit;
- payments made to non-residents for the services of international carriage of passengers and goods.

### **4.7. Value Added Tax (VAT)**

VAT is applied on supplies of goods and services or the import of goods into Albania. The reverse-charge mechanism applies to imported services.

Any person or entity conducting economic activities in Albania is required to register for VAT registration if the taxable turnover exceeds 2,000,000 Lek in a calendar year. Taxable persons that wish to import goods into Albania and taxpayers that supply professional services considered independent professions (lawyers, accountants, architects etc.) must register for VAT regardless of the annual turnover.

The standard VAT rate is 20%. Hotel accommodation services, Agro-tourism activities, Literature and Electric Buses are subject to VAT at a reduced rate of 6%, the reduced rate is extended to all services provided by five-star international hotel brands.

The export of goods, services related to the international transport of goods and passengers, and some other supplies explicitly specified in the law are zero rated.

Some services and goods are exempt from VAT (e.g. financial and life insurance services, export of services, lease of real estate, educational services, medicines and certain medical services, the supply of books, magazines, newspapers and incorporated advertisements, gambling). The research phase in hydrocarbon operations is also exempt from VAT.

Taxpayers who supply both VAT and VAT exempt goods and services can credit only that portion of their input VAT that corresponds to their activities subject to VAT.

The VAT books (purchase book and sale book) must be filed electronically until the 10th of the following month. The VAT liability must be paid on the 14th of the following month.

VAT refund is handled by the Treasury. The regional tax directorate should verify and approve the VAT refund amount within 60 days from the taxpayer's request.

#### **4.8. Excise Tax**

Excise duties apply to a limited number of products, in particular, tobacco and its derivatives, petroleum, alcoholic beverages, soft drinks and coffee, as well as perfumes and deodorants. If goods are imported, the tax is calculated on the customs value plus customs duties.

Excise duty is a tax applicable to certain goods consumed in Albania, whether imported or produced in the country.

Albanian excise legislation is based on EU Council Directive 2008/118/EC that defines common provisions applicable for all excisable goods. It also integrates specific provisions applicable for each category of excise products.

Categories of products subject to excise duty in Albania are:

- Energy products (e.g. petroleum, gasoil, gas)
- Tobacco products (e.g. tobacco, cigarettes)
- Alcohol and alcoholic beverages (e.g. beer, wine, spirits)
- Other products (e.g. baked coffee, energy drinks, fireworks)

Excise duty is usually calculated as an amount per quantitative measuring unit defined for that product (e.g. per liter, per kilogram, per hectoliter, per 1000 pieces).

Excise legislation requires that tobacco products, alcohol and alcoholic beverages, imported or produced in Albania, must have affixed fiscal stamps when released for consumption in the domestic market.

Several oil by-products in Albania are subject to marking with fiscal markers and dyeing substances, as per the requirements of Albanian excise legislation, upon exportation or release for consumption in the domestic market.

#### **4.9. Social and Health Security Contributions**

The Law on Collection of Mandatory Social and Health Insurance Contributions in the Republic of Albania and the Law on Compulsory Health Insurance in the

Republic of Albania set forth the rules for collecting compulsory social security contributions and compulsory health insurance contributions, establishing and implementing a compulsory health insurance scheme, etc.

They also set out the modalities, procedures and units of administration responsible for calculating, collecting, administering and benefiting from the payment of compulsory social security contributions and compulsory health insurance contributions.

Social insurance and health insurance contributions are mandatory and are payable both by the employee and the employer. The tax base is the monthly gross salary, but not less than the minimum national monthly salary.

The minimum national monthly salary is 26,000 LEK. The Council of Ministers usually reviews the minimum national salary, minimum and maximum salary amounts each July.

Foreign individuals who work in Albania under a local employment agreement are required to pay social and health contributions in the same manner as local employees. Foreign employees working under a foreign employment contract in Albania (with some exceptions)

have the right to choose between the Albanian social and health insurance scheme, or another scheme of their home country.

#### **4.9.1. Social insurance contributions**

The employee pays 9.5%, withheld monthly by the employer, while the employer pays 15% of the gross salary. The contribution is calculated monthly up to a maximum (ceiling) monthly gross salary of 114,670 LEK. If the gross monthly salary is higher than 114,670 LEK, only the first 114,670 LEK is subject to social insurance contributions.

#### **4.9.2. Health insurance contributions**

Both the employee and the employer pay 1.7% of the gross monthly salary (not less than the minimum national monthly salary). For the self-employed, the basis for the calculation of health care contributions shall be double the minimum salary set forth for purposes of calculation of the social contributions.

The employer must pay the social security and health contributions not later than the 20th of the following month.

#### ***Note for administrators of Albanian companies:***

Each administrator of an Albanian company is considered an employee for social security (and payroll tax) purposes. The administrator of the company must be registered with the Albanian General Tax Directorate not later than two days after the incorporation of the company.

#### ***Note for suspending (making dormant) companies in the commercial registry:***

*The companies* can be suspended in the commercial registry only after all liabilities towards the tax administration have been paid. In addition, companies in suspended status are forbidden from both issuing sales invoices and receiving cost invoices from third parties.

#### **4.10. Local Taxes and Fee**

Local tax authorities collect taxes from entities carrying on business in their municipalities or communes.

According to the Law on the Local Tax System, a wide range of local taxes is levied on every business activity based on a national list of taxes and thresholds.

##### **➤ Real estate tax**

Natural persons and legal entities who own real estate property in Albania are subject to tax on real estate. Local tax on real estate consists of the real estate tax on buildings and real estate tax on agricultural land.

The annual tax on buildings is levied on each square meter and varies from 5 ALL – 400 ALL per square meter, depending on where the building is located. Buildings owned by the state and local governmental authorities as well as by religious institutions are exempt. The tax on buildings is charged at twice the rate for any second or subsequent residential real estate property owned by individuals.

Real estate tax on agricultural land is levied on the surface (hectares) of the agricultural land; its amount depends on the region where the land is located.

##### **➤ Tax on the sale of real estate**

Individuals must pay the tax on the sale of real estate on the transfer of the ownership rights of buildings and other real estate properties. It is payable by the individual who transfers the ownership of the real estate. The tax rate is 10% and is applied to the difference between the sales value of the property minus the purchase value of the property.

##### **➤ Infrastructure tax**

Tax on infrastructure is levied as a percentage of a new construction investment. Generally, tax on infrastructure varies from 1 to 3 percent of the new investment value (except in the Municipality of Tirana where it amounts to between 2 and 4 percent). For public infrastructure projects (construction of national roads, ports, airports, tunnels, dams, etc.) the tax on infrastructure is 0.1 percent of the new investment value but not less than the rehabilitation costs of the infrastructure damaged by the new construction. Payment of infrastructure tax is an obligation of the investor. It is paid once a permit for a new construction is issued and is calculated upon the planned investment budgeted.

##### **➤ Other national and local taxes**

There are a variety of other national and local taxes and fees. These include port charges, consular fees, TV and telephone taxes, driving license fees, airport arrival and departure tax, business registration tax, cleaning tax, advertising tax, circulation tax on vehicles, etc.

#### **4.11. Sanctions and fines**

Regarding the fines provided for in Law 99/2015, the following are stated:

- In the event that a business is not registered, the state authorities may close the



business and confiscate all goods and equipment, paying a fine of Lek 15,000 (about € 107) to large enterprises and 10,000 Lek (about € 70) to small businesses, revocation of a license for a period of 6 months and criminal prosecution.

- In the absence of the usual documentation, a fine of Lek 10,000 (approx. 70 €) is imposed for each small business infringement and Lek 50,000/ infringement (approximately 350 €) for other businesses.
- In the event that an employee is not registered, at least 1 day prior to commencement of work, a fine of 500,000 lek (approx. 3,550 €) is imposed on taxpayers and 50,000 lek (approx. 350 €) on other businessmen.
- If the transaction value is in excess of 150,000 leks (about 1,070 €) in cash, a fine equal to 10% of the transaction value.
- Products are not accompanied by the relevant invoice purchase or shipping note are seized.
- Businesses that do not have a cash machine are fined 50,000 lek (about € 350) for the first time and in the event of a re-audit and non-compliance, all goods are seized.
- When no proof is issued, a fine of 200,000 lek (approx. 1,430 €) is levied on taxpayers and 50,000 lek (approx. € 350) for other taxpayers.
- In the event of a repeat infringement, the fine amounts to 300,000 lek (approximately € 2,140), and after imposing a fine twice, the tax authorities can prosecute the taxpayer.
- A fine of 30,000 lek (approx. 215 €) is required if the receiver either does not contain all the necessary information or indicates a different amount than the actual one.
- The consumer who has not received proof is also fined 1,000 lek (about 7 €).
- It is mandatory to indicate the prices of the products or services and in case of non-compliance the fine will be 35,000 lek (about 250 €) for small businesses and 65,000 lek (approximately 460 €) for the rest.
- Taxpayers who directly or indirectly impose tax research are fined 100,000 lek (about € 715) for small businesses and 1,000,000 lek (about € 7,150) for the rest.
- Finally, banks are also fined if they do not require the necessary IDs for account opening or other transactions (50,000 lek , approx. € 350) if they do not comply with the tax administration notice for opening an account or other transactions. (40,000 lek approx. 280 €) and if they do not execute money transfer orders from taxpayers within one business day (125% of interbank rate for each day of delay).



## **5. CUSTOMS DUTIES**

### **5.1. Customs legislation and administration**

The General Directorate of Customs (GDC) is the institution responsible for the management of customs in the Republic of Albania. The GD Customs is under the Ministry of Finance and conducts its activity pursuant to the *Law No.8449 dated 27.01.1999 “Customs Code of the Republic of Albania”* and its amendments.

More info about Albanian customs can be found in [www.dogana.gov.al](http://www.dogana.gov.al).

### **5.2. Custom Tariffs**

Albania is a member of the World Trade Organization since September 2000. By joining the WTO, Albania had to align its trade legislation with international and WTO rules.

Custom tariffs apply on the Combined Nomenclature of Classification of Goods. This Classification is in compliance with the European Community Combined Nomenclature of Classification of goods. The tariff system is very simple. The most-favored-nation tariff system applicable is: 0%, 2%, 5%, 6%, 10% and 15%.

Under FTA-s, Albania applies **Preferential import tariffs** for CEFTA parties, EFTA parties, EU Member States and Turkey. In case of industrial products (chapters 25-97 of Classification of Goods Nomenclature) the tariff is 0%, while for agricultural products they are, as set out in the relevant agreements.

Albania, as a member of the World Trade Organization, has a tariff policy under the "most favored nation" clause, while for Turkey and members of CEFTA (Bosnia & Herzegovina, Macedonia, Moldova, Montenegro, Serbia, Kosovo) and EFTA (Liechtenstein, Iceland, Norway, Switzerland), with which Free Trade Agreements (FTAs) have been concluded, has a preferential status.

Under the EU Stabilization and Association Agreement - Albania, entered into force on 1.4.2009, for most products originating in the EU, provided that they are accompanied by EUR1 or a declaration of origin on invoice, the import duties have been abolished or reduced on the basis of a timetable set out until such time as they are permanently abolished. In particular, in industrial products (Chapters 25 - 97 of the Combined Nomenclature) originating in the EU. No import duties are levied and certain agricultural products are subject to the relevant provisions of the Agreement.

A detailed list of duties in 2016, by tariff heading and product origin, is posted on the official Albanian Government Gazette website:

[http://www.qbz.gov.al/botime/fletore\\_zyrtare/2015/PDF-2015/233-2015.pdf](http://www.qbz.gov.al/botime/fletore_zyrtare/2015/PDF-2015/233-2015.pdf)

A detailed list of duties imposed in 2017, by tariff heading and product origin, is posted on the Albanian Customs Service website ([www.dogana.gov.al](http://www.dogana.gov.al)), at: <http://www.dogana.gov.al/dokument/610/nk-2017-totali-me-paketen-e-2017>.

The amount of the tariff charge is calculated on the CIF price, and if the CIF value is less than the corresponding reference price, then all charges is calculated on the reference price and not on the invoice price.

### 5.3. Albanian customs regimes

- **Placing in free circulation regime** gives Goods placed in free circulation, with a level of reduction or zero import duty, due to their particular/special use, will remain under customs supervision. This supervision shall end when the conditions for the level of reduction or zero rate of duty cease to exist, when goods are exported or destroyed, or when goods are used for purposes other than those provided for the implementation of level reduction or zero rate of duty, provided that the relevant obligations are paid.
- **The Temporary Permit Regime** enables into the customs territory of the Republic of Albania, the total or partial relief from import duties and without their being subject to commercial policy measures, to the non-Albanian goods intended for re-export without having undergone any change except depreciation due to their use.
- **Inward processing Regime** refers to a customs procedure where goods imported to Albania, or of Albanian origin, are manufactured or processed and then re-exported from Albania in the form of compensating product. The inward processing regimes allow producers to import raw materials or semi-processed products, exempt fully or partially from customs duties, and to manufacture/process and re-export the finished compensating products. The original imported product may or may not be distinguishable from the finished product.
- **The outward processing** regime applies to Albanian goods temporarily exported from the country for being processed outside the country and re-imported in the form of compensating products, into the territory of Albania. The re-imported compensating products will be released for free circulation fully or partially exempted from import duties.
- **The warehousing regime** allows storage in a custom warehouse of:
  - Non Albanian goods not subject to custom duties,
  - Albanian goods, when the provisions in force, in cases of their warehousing in customs, require the application of measures regarding the export of these goods.

A customs warehouse may be public or private.

- Public warehouses are used to store goods by any interested person.
- Private warehouses are used to store goods by warehouse operators only.
- **Transit Regime.** It refers to the circulation of goods from one customs point to another in the territory of Albania of:
  - Non Albanian goods not subject to custom duties and import duties.
  - Albanian goods subject to export procedures.

This regime can be also applied on circulation of goods to another territory in cases of:

- A signed international agreement

- It is accompanied by a transport document released in the territory of Albania.
- **The regime of processing of goods under customs control** allows the import of non-Albanian goods exempted from custom duties; their utilization in operations that cause the change of their nature, and then placement in free circulation of the products obtained as a result of these operations, once the relevant import duties have been fulfilled.
- **Temporary admission** is applied to goods that will not be released into free circulation immediately and are held temporarily in a warehouse until they are put in another customs regime. The warehouses are premises that have been approved by the Customs Authorities. The storage time in these areas shall be no more than 5 days for goods of road and railway transport and no more than 10 days for the goods of maritime transport.

## **5.4. Value Added Tax (VAT)**

### **➤ Imports**

VAT is assessed, applied and paid at the moment goods enter the Albanian custom territory. The VAT rate is 20% of the taxable value.

According to the Law No.7928 dated 26.12.2007 “For VAT” as amended, the exempt from VAT is applied to:

- Import of goods placed in the transit regime.
- Import of goods declared to fall under Temporary Allowance Regime
- Import of goods in active processing
- Import of goods or services relating to the performance of exploration and development phases of petroleum operations, carried out by contractors who work for these operations.
- Import of live animals of origin, coming from different donors.
- Import of goods coming from NATO.
- Import of good of appliances that help the integration of people with disabilities in the everyday life.

The customs Code foresees the exemption of the customs duties for the returning emigrants (persons that have lived in another country for a period of not less than 12 months continuously and are coming back to Albania).

### **➤ Exports**

Albanian exports are exempted from VAT (VAT rate 0%).

## **6. INVESTMENT INCENTIVES**

### **6.1. Foreign investments**

Albania has adopted a liberal legislation, especially with regard to foreign investment in the country, based on the principle of non-discrimination between domestic and foreign investors. The legal framework that regulates Foreign investments are as per here below.

- Law no. 7764 / dated 2.11.1993 “On Foreign Investments” amended by law no. 10316 dated 126.09.2010 and law no. 46/2017 dated 13.04.2017, amended by law no. 100, dated 13.12.2018;
- Law no. 55/2015 “on Strategic Investments”;
- Law no. 9789/2007 “On the Establishment and Functioning of Technology and Economic Development Areas” amended by law Nr. 54/2015 “On the Establishment and Functioning of Technology and Economic Development Areas”, which provide concrete fiscal incentives for the economic activity of new industries, innovative technologies, information technologies, industries that meet international standards of elimination of pollution, efficient industries in the use of energy, and industries with high productivity in relation to employees .
- Law no. 9901/2008 “On entrepreneurs and commercial Companies” which regulates the status of entrepreneurs, the founding and managing of companies, the rights and obligations of founders, partners, members, and shareholders, companies’ reorganization and liquidation.
- Law no. 110/2002 “On Cross border union of companies”. The purpose of this law is to determine the conditions, procedures and legal consequences of the single cross-border union between Albanian companies and European companies, as well as to provide protection measures for employees and creditors of these companies.
- Law no. 9121/2003 “On competition protection”, which stipulates rules for the protection of competition and the concentration of companies.
- Law no. 10198/2009 “On Collective Investment Enterprises” (amended). It regulates conditions and criteria for the establishment, constitution, and operation of collective investment enterprises and management companies;

### **6.2. Investment Protection**

Law 7764/1993 "On Foreign Investment" amended by Law No. 10316, dated 16.09.2010; amended by Law No. 46, dated 13.04.2017, is based on principles as equal treatment between Albanians and foreign investors in Albania, non-discrimination and protection of the foreign investments.

The main guarantes for foreign investors provided by this law are as below:

- a) It allows 100% foreign ownership of companies established in the Republic of Albania. There is no limit on the quotes/shares and the number of foreign investors in a company (100% foreign ownership is possible).
- b) Equal treatment with domestic investments, minor limitation are applied.

- c) Referring to the law no. 9901 dated 14.04.2008 "On entrepreneurs and commercial Companies "the establishments of foreign and domestic companies" does not need any prior authorisation.
- d) Foreign investments cannot be expropriated or become state owned directly or indirectly, except in special cases when this is in the public interest and under specific legislation;
- e) Foreign investors have the right to expatriate all funds and contributions of their investment, in kind;;
- f) Regardless of the domestic legislation, any foreign investment will in any case have equal treatment and the highest standard of protection in accordance with internationally recognized practices.
- g) Limitations are applied only for the purchase of real state. Agriculture land is not allowed to be purchased by foreigners or foreign companies. It can be rented up to 99 years.
- h) The commercial assests could be purchased in case of the total amount invested on it will be three times higher;

Based on the law mentioned above, special state protection provides the substitution with full rights of the foreign investor by the Albanian state in the civil-law dispute with private third parties. The substitution of the foreign investor as a party is made under Article 200 of the Civil Procedure Code.

Special state protection is provided following the procedures set forth on article 8/c, 8/c , 8/d and 8/dh of the law "On Foreign Investment".

Albania has signed 44 Mutual Protection and Investment Protection Agreements, 9 of which have not yet entered into force, with Austria, Azerbaijan, Belgium-Luxembourg, Bosnia and Herzegovina, Bulgaria, China, Croatia, Finland, France, Germany, Greece (effective 04/01/1995), Hungary, Iran, Israel, Italy, N. Korea, Kuwait, Lithuania, FYROM, Malaysia, Malta, Moldova, Netherlands Poland, Portugal, Qatar Romania, Russian Federation, San Marino, Serbia. Slovenia, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom, United States of America.

This Agreement with Greece was signed in Tirana on 01.08.1991 and entered into force on 04.01.1995. Details of each deal on the UNCTAD.

### 6.3. Strategic Investment Legislation

According to the Law 55/2015 "On Strategic Investment in the Republic of Albania", which was voted on 28.5.2015, changed by laws no. 67/2018, date 4.10.2018 and by law no.102/2018, dated 13.12.2018, rapid procedures are provided for the numerous bureaucratic steps required to implement a strategic investment. Six strategic areas are identified, each of which sets the threshold for investment costs in order to obtain the status of: (a) "investment-backed strategic investment" or (b) "investment-specific strategic investment", as shown in the table below.

**Table 9: Six strategic investment areas**

Strategic Fields	Strategic investment	
	"Investor-Assisted	"Investor-Special

	Procedure "	Procedure"
Energy and mining	$\geq$ € 30 million	$\geq$ € 50 million
Transport and infrastructure of electronic communications as well as municipal waste	$\geq$ € 30 million	$\geq$ € 50 million
Tourism	$\geq$ € 5 million and at least 80 new working positions	$\geq$ € 50 million
Agriculture and fishery	$\geq$ € 3 million and at least 50 new working positions	$\geq$ € 50 million
Areas of technological and economic development	$\geq$ € 5 million	$\geq$ € 50 million
Development of priority areas	$\geq$ € 1 million and at least 150 new working positions	$\geq$ € 10 million and at least 600 new working positions

Specialized strategic investment status can also be granted in the case of investment projects costing more than or equal to € 100 million per sector.

At the same time, an administrative structure is envisaged within the Albanian Investment Development Agency (AIDA), which will provide "single window" services to strategic investors. Indicatively, these services include:

- a) complete the preparatory operations, preparation of documents and administrative application by an expedited procedure by the assisting agent, including the necessary documents accompanying the application, when issued by a state administration body, upon the request of another state administration body;
- b) receive a priority treatment for the preparation of documents, giving of opinions or following the procedures included in the scope of activity of the state administration bodies, representation in the operational group for the preparation and implementation of the strategic investment;
- c) land consolidation;
- d) supporting programs;
- e) support with ancillary infrastructure;
- f) availability of the state real estate for the development and realization of strategic investment projects, under the legislation into force, which should be prioritized by all public bodies involved in these processes, directly or indirectly, when appropriate, comes to strategic investments under the "assisted procedures".

When the investments fall under "special procedure" status, in addition to aforementioned services, private property expropriation procedures are also included, as well as any approval by Parliament, if required.



In support of the Strategic Projects, a Memorandum of Understanding can be signed between Strategic Investor and Responsible Ministers/AIDA, since the phase of the expression of the preliminary interest and the preparatory actions that develop the potential strategic project.

The Memorandum of Understanding contents the mutual engagements and covenants of the government and the investor for the design, preparation and implementation of the strategic investment project.

The State may be a participant in a strategic investment, in the role of the project, area developer or other forms, according to the rules and definitions of the legislation into force. Organization of participation and form is determined by decision of the Council of Ministers.

The final deadline for the interested investing entities have to present the application for inclusion in the procedures for obtaining the status of “Strategic Investment/Investor-Assistance/Special Procedure”, pursuant to the Law 55/2015, amended by law no 67/2018 and Low no 89/date 18.12.2019 “Strategic Investments in the Republic of Albania”, is December 31, 2020 and is expected to boost investment projects in Albania and make a significant contribution to attracting foreign investment into key sectors of the economy.

The full text of the law is available: <https://qbz.gov.al/eli/ligj/2015/05/28/55>  
<http://qbz.gov.al/eli/ligj/2019/12/18/89>

#### **6.4. Investment Incentives**

Albanian legislation does not provide incentives specifically for foreign investors, but they can benefit from the incentives available to domestic companies.

The subsidy scheme is regulated by Law No 9374/2005 "On State Aid", as amended by Law No.10183 / 2009. The law applies to all sectors of production and services in Albania, except for agriculture and fisheries. State aid may relate to grants and donations, various tax breaks, such as duty and VAT exemptions, reductions and deductions, and subsidized employment programs. In addition, the Albanian Government, following no. 421 / 12.06.2018 decision of the Council of Ministers, offers the possibility of long-term lease of state-owned real estate, with symbolic price of 1 € for the investment more than the amount 100,000,000 All. Those investments shall be performed for the developments of social or cultural centers.

The lessee is required to produce a letter of guarantee equal to 2% of the value of the investment. Fines and forfeiture of the guarantee are provided if the lessee fails to comply with the terms of the contract.

The above mentioned decision, which amended no. 54/05.02.2014 decision, extends the scope of this aid by offering it, following a tender and decision by the Albanian Council of Ministers, to companies intending to implement:

- investment in an industrial production unit over 300 million lek ( approx. 2,145,000 €),
- investment under inward processing (FASON) scheme, with at least 50 jobs created,

- investing in rural industry unit ( agro-business ), such collection, processing and marketing of agricultural products or livestock, over 100 million lek ( approx. 715,000 €),
- investment activities on education and the media, more than 200 million lek (approx. € 1,429,000),
- investment in construction, maintenance or boat services over 500 million lek (approx. € 3,572,000).

<https://qbz.gov.al/eli/vendim/2018/06/12/421>

In addition, Law No. 8987/2002 provides incentives for the construction of power plants. Investors, domestic or foreign, who are installing new or remodeling an existing power plant with an installed capacity above 5 MW, using liquid or solid fuels, without restrictions on other renewable, will be exempt from duty and other non-import duties for the equipment and they get back custom duties and excise duties on fuel import. The government also made the following arrangements in the energy sector: imported cement and steel for the construction of hydroelectric power plants are exempt from VAT and fuels used by oil companies are exempt from excise duty.

<http://qbz.gov.al/eli/ligj/2002/12/24/8987>

To strengthen the textile and footwear industry (with the status of processing for re - employment), which contributes significantly to employment, the Albanian Government in 2014 proceeded to establish a special aid package for this industry, which includes:

- VAT exemption for machinery and equipment;
- Exemption from social security costs for new employees for 1 year;
- 4 months state subsidy of salaries for new employees;
- Incentives for staff training;
- Facilitating customs procedures;
- Tax return;
- Possibility of leasing at the symbolic price of 1 €;
- Representation of the industry in the National Economic Council;
- Establishment of " One Stop Shop " at the Albanian Development and Investment Agency (AIDA), specifically for the inward processing industry (FASON);

Concrete Incentives are applied in Albania. These incentives can be fiscal (such as tax relief) or non-fiscal (such as grants, loans or regulatory facilities to support business development or increase competitiveness). Incentives are provided mainly at the sectoral level (e.g. 6% VAT for accommodation structures in tourism entities certified in agritourism), depending on the expectations of the Government on their social and economic impact.

Law no. 9789/2007 “On the Establishment and Functioning of Economic Zones” amended by Law no. 54/2015 “On the Establishment and Functioning of Technology and Economic Development Areas”, which provided concrete fiscal incentives for



the economic activity of new industries, innovative technologies, information technologies, industries that meet international standards of elimination of pollution, efficient industries in energy use.

### **6.5. Fiscal Incentives**

VAT exempt when imported:

- 1) Agricultural machinery and equipment, for inward processing regime and agribusiness;
- 2) Machinery dedicated for investment  $\geq$  EUR 360 000;
- 3) Import of machinery and equipment:
  - a. to execute investment contracts of equal or greater value more than ALL 50 million;
  - b. to execute investment contracts in the active processing sector and agribusiness, whatever the value of the investment;
  - c. the importation of production machinery by the subjects of the simplified profit tax; and
- 4) Exempt from customs duties on imports of raw materials and semi-finished goods intended for export. (Suspension of import duty and VAT on goods imported under the inward-processing procedure)

### **6.6. Fiscal incentives within Economic Zones**

Based on the law there are two economic zone Spitalla and Kopliku, but not yet active.

1. 50% reduction of profit tax for the first 5 years;
2. Entry and exit of goods according to the provisions of the Customs Code;
3. Deductible expenses 20% of the annual capital for the first three years.
4. Supply of Albanian goods in the zone is considered as export supply at zero VAT rate;
5. The developer is exempted from the tax on infrastructure effect;
6. Buildings are exempted from immovable property tax for 5 years;
7. The developer and user are exempted from the property transfer tax;
8. Expenses for salaries and social contributions of the employer are recognized at 150% of their value during the first fiscal year. Additional expenses for salaries in the following years are recognized as expenses at 150% of their value;
9. Training costs are considered as deductible expenses at twice their value for 10 years;
10. Research development costs are considered deductible expenses at twice their value for 10 years;

Non - fiscal incentives in detailed way are described on section above “Strategic Investment Legislation”.

## 6.7. Sectoral incentives

### a) Agriculture

- 1) Tax on profits 5% for Legal Entities - Agricultural Cooperation Companies;

### b) Tourism

- 1) 6% VAT on Accommodation Structures (Bed + Breakfast);
- 2) 6% VAT on Any Supply Within “Hotel/Resort 5\*, Special Status” Structures (Brand Name) Exemption from Building Tax and Impact Tax on Infrastructure Hotel/Resort 5\*, Special Status”(Brand Name)
- 3) Exemption from Profit Tax, for a 10-Year Period for Those Structures, “Hotel / Resort 4\* and 5\*, Special Status” Eligible For Special Status until December 2024.
- 4) 6% VAT for Certified Entities in agro tourism (Sleeping + Restaurant (Non-Drinking))
- 5) Infrastructure Impact Tax Exemption for Agro-Tour Operators who will invest in this Area;
- 6) From January 1, 2018 for Certified Entities In agro tourism Profit Tax decreased from 15% to 5%;

### c) IT

- 1) 5% Tax on profit on software production/development;

The full text of the law is available:

<https://www.vendime.al/wp-content/uploads/2015/07/LIGJ-Nr.9789-dat%c3%ab-19.7.2007-P%c3%ab-krijimin-dhe-funksionimin-e-zonave-t%c3%ab-teknologjis%c3%ab-dhe-zhvillimit-ekonomik-I-P%c3%abrdit%c3%abuar.pdf>

## **7. LABOR LAW**

### **7.1. Institutional Framework**

The legal framework that regulates the labor relations in Albania is: "Labor Code of the Republic of Albania", "Social Security Act", "Health Insurance Act", "Employment Promotion Act" and 'Industrial tribunal law'. Albania has signed and ratified all international treaties on the protection of workers' rights.

The Social Insurance Institution (ISSH), which operates under law no. 7703/11.05.1993, "For Social Security in Republic of Albania", amended by laws: No. 7932, dated 17.05.1995; No. 8286, dated 16.02.1998; No. 8392, dated 02.09.1998; No. 8575, dated 03.02.2000; No. 8776, dated 26.04.2001; No. 8852, dated 27.12.2001; No. 8889, dated 25.04.2002; No. 9058, dated 20.03.2003; No. 9114, dated 24.07.2003; No. 9377, dated 21.04.2005; No. 9498, dated 03.04.2006; No. 9600, dated 27.07.2006; No. 9708, dated 05.04.2007; No. 9768, dated 09.07.2007; No. 10070, dated 05.02.2009; No. 10447, dated 14.07.2011; No. 13/2014, dated; No. 104/2014, dated 31.07.2014.

This law is responsible for social security relations.

All public or private employees have a personal social security number issued by ISSH.

### **7.2. Labor Framework**

As a rule, labor contracts are concluded for an indefinite period. A labor contract for a certain period of time should be justified by objective reasons related to the temporary nature of the employment for which the employee is to be recruited. If the duration is not specified precisely by the parties, it is treated as an indefinite duration contract. The employment contract, as provided by the Labor Code includes the following:

- details of employer and employee;
- place of work;
- general description of the work;
- type of employment (full or part time);
- start date;
- duration of employment, which may be fixed-term or indefinite;
- the rights and obligations of both parties;

The employment contract may include additional obligations and rights between the employee and the employer, but in any case within the applicable institutional framework governing employment relations.

The employer is required to file the Employment Contract and a Certificate of Payment of Social Security Contributions and a Tax Return with the Employee with the Regional Tax Office. In any case, it is obliged to keep records of employees, payroll, withholding tax and insurance contributions.

Regular, full-time working hours, according to Albanian law, are 40 hours per week. Working hours in excess of 40 hours/week are considered overtime and compensation is 25% in excess of normal hourly wage. As a rule, employment is prohibited on public holidays. In the case of employment, however, on public holidays or on weekends, the employment compensation shall be 50% more than the wage.

The employer pays the salaries of employees on a monthly basis, after statutory deductions, taxes and social security contributions are made. Unless otherwise provided in the individual employment contract, monthly remuneration of employees will be paid regularly at the end of each month and wages every two weeks.

The annual leave period shall not be less than four calendar weeks, that is, 28 calendar days of paid leave, for each year of service. If the employee has not completed a full year of work, the duration of the annual paid leave will be determined in relation to the period of employment. Public holidays, which are not counted on leave days.

Labor legislation in Albania also regulates the employee's absence from work due to illness, sick leave, maternity leave.

On December 22, 2015, Law No 136/2015 on Amendments to the Albanian Labor Code was published in the Official Gazette of the Government (Law 7961/1995 and its application with Law 9125 / 29.7.2003).

This is the most significant change to the Labor Code since 2003, which aims to provide more protection and safety for workers in alignment with the communal acquires. The amendments of the law will enter into force 6 months after publication, i.e. 22.6.2016, and concern:

- new rules on the recruitment of foreign seasonal workers, temporary workers and work from home;
- obligation to sign an employment/labor contract from the 1st day of work, which should indicate some required fields;
- improving working conditions, overtime, paid and unpaid leave;
- changes to employment termination rules;
- new rules on parental leave, pregnancy leave and pregnancy and childbirth rights;
- changes in terms of collective agreements, strikes, syndicalism unions and arbitration and mediation procedures;
- priority access for part-time workers to full-time employment; and
- introducing terms of protection against discrimination, sexual harassment in the workplace and protection of personal data

According to the above mentioned, It should be noted, however, that the new Labor Code provides that every employee is entitled to annual leave and that leave may not be replaced by monetary compensation. Every six hours, the employer will be required to guarantee a rest period for employees. With regard to maternity leave, the

proposed change concerns the right to leave for both parents. Also, after returning to work 63 days after birth, parents are entitled to two hours of paid leave.

The new Labor Code also provides for the legal obligation that any changes to the terms of the Employment Contract should be made in writing.

<https://euralius.eu/index.php/en/library/albanian-legislation/send/116-labour-code/144-labour-code-en>

### 7.3. Social Security

The main institutional framework that regulates the insurance contributions is the law no. 9136/11.9.2003 which refers to collecting contributions for compulsory social insurance and health insurance in the Republic of Albania, as it is amended and is currently in force, as well as the law no 10383/24.2. 2011, which refers to compulsory health insurance in the Republic of Albania, as it is amended and is in force. It is noted that health insurance and the payment of the relevant insurance contributions is compulsory for all economically active persons whose residence is in Albania, in accordance with the amendment of the above Law No 145/17.12.2015 (Government Gazette 244/11.2016).

For employees, total social health security contributions amount to 24.5% (15% born by the employer and 9.5% by the employee) on gross wages.

For the calculation of social security contributions, the minimum monthly wage from 1.1.2019, in accordance with Decision no. 809/26.12.2018, amounts to 26,000 lek (about 213 euro), while the maximum at 114,670 lek (about 939 euro).

It is clarified that if the gross wage is less than Lek 26,000, the contributions are estimated at Lek 26,000 (irrespective of the actual wage amount). Accordingly, if the wage exceeds Lek 114,670 the contributions are calculated up to Lek 114,670.

For employees, health insurance contributions amount to 3.4% (1.7% for the employer and 1.7% for the employee) of the employee's gross wage, without any limits.

For self-employed and unpaid family members over 16 years of age as of 2017, compulsory social security contributions are calculated at 23% of the current minimum monthly wage, (i.e. Lek 26,000).

Accordingly, compulsory health contributions for the above insured persons are calculated at a rate of 3.4% on the double of the minimum applicable monthly wage, i.e. 52, 000 lek.

**Table 10: Social and health insurance contributions**

Wage Labor	Insurance Contributions	Health Insurance Contributions
Employer	15%	1,7%
Employee	9,5%	1,7%
Self- employment	Insurance Contributions	Health Insurance Contributions
Self employed	23 % (base 26.000 lek)	3,4 % (base 52.000 lek)

Small and medium-sized enterprises, with a turnover not exceeding 8,000,000 lek (approximately 57,000 euro), are registered as taxpayers and are required to pay their insurance contributions quarterly and until the 20th day of the month following each calendar quarter.

For large enterprises, with a turnover exceeding Lek 8,000,000 (approximately EUR 57,000), the insurance contributions are deducted by the employer from the gross monthly wage of the employee and the employer is then required to pay the total amount of the insurance contributions (social security and health insurance) on a monthly basis, until the 20th day of the month following the reference calendar month.

More information on insurance contributions is available from the General Tax Directorate website: <https://www.tatime.gov.al/eng/c/6/73/social-security-and-health-care-contributions>, <http://www.issh.gov.al/al/>

#### 7.4. Basic Wage

The basic monthly wage in Albania, which is set by the Council of Ministers decision no. 809 dated 26.12.2018, amounts to 26,000 lek (about 213 euro), shall be apply as basic wage and relates to full-time employment of 174 hours/month, which is carried out during normal business working hours.

The minimum wage per hour is 149 All.

The average monthly wage during 2019, in all economic sectors, according to INSTAT is presented in the table below:

**Table 11: The average monthly wage in Albania (Year 2019).**

Description	First quaterlyI/ 19	Second quaterlyI/ 19	Third quaterly III/19	Fourth Quaterly IV/19
<b>Average monthly wage per employee</b>	<b>51,531</b>	<b>52,645</b>	<b>51,870</b>	<b>53,458</b>
Average monthly wage per employee in public sector	61,384	63,207	63,911	63,826
Average monthly wage per employee in private sector	46,982	47,894	46,473	48,767
<b>Approved minimum wage</b>	<b>26,000</b>	<b>26,000</b>	<b>26,000</b>	<b>26,000</b>

The data refers to all sectors and is calculated according to the official statements of companies to the General Tax Directorate. Men appear to receive 10.7 % more pay than women. The average wage varies according to the legal form of the company and the composition of its capital. Foreign or mixed interest firms provide higher salaries.

The average gross monthly wage in the public sector during 2019, according to INSTAT, amounted to 63,082 All. Corresponding wage in the private sector was 47,529 All. Significant difference is observed in average gross monthly wage offered by foreign companies, which amounts to 69 144 lek (about 500 €).

During 2019, the highest paid jobs were: Financial and insurance activities with an average wage 107,679 ALL, IT and telecommunications professionals with an average wage 80,036 ALL, followed by Public administration and defense; compulsory social security; education; human health and social work activities 63,118 ALL.

**Table 12: The Average gross monthly wage per employee by economic activities (Year 2019).**

<b>Economic activity according to NACE Rev2</b>	<b>First quarterly/19</b>	<b>Second quarterly/19</b>	<b>Third quarterly /19</b>	<b>Fourth Quaterly /19</b>
<b>TOTAL</b>	<b>51,532</b>	<b>52,645</b>	<b>51,870</b>	<b>53,458</b>
A)- Agriculture, forestry and fishing	37,956	39,313	36,397	35,105
B,C,D, E ) Industry Total	43,463	43,607	44,134	45,418
F) Construction	42.428	42.521	41.715	42,292
G,H,I ) Wholesale and retail trade, transportation and storage; accommodation and food service activities	38,558	38,892	38,577	40,147
J) - Information and communication	76,037	87,605	76,500	80,003
K)-Financial and insurance activities	101,734	113,339	100,547	115,094
L,M,N) - Real estate activities; Professional, scientific and technical activities; administrative and support service activities	59,726	60,102	57,871	60,214
O,P,Q) - Public administration and defense; compulsory social security; education; human health and social work activities	61,554	63,276	64,065	63,577
R,S,T,U) - Arts, entertainment and recreation, repair of household goods and other services	57,402	56,295	56,012	60,431

The average monthly wage is significantly higher than the general average, in areas such as financial services and insurance (107,679 ALL / 884 euro), IT and telecommunications (80,036 ALL/657 euro), Public administration and defense; compulsory social security; education; human health and social work activities (63,118 ALL/518 Euros), Real estate activities; Professional, scientific and technical activities; administrative and support service activities (59,478 ALL/ 488 Euros).

On the contrary, in sectors such as Agriculture, forestry, fishing, construction, wholesale and retail industry the average wage is lower than the general average (52,376 ALL/430 Euro).

The 49% of the Albanian population is under 35 years old (the average age is 31.6 years). More than 1,000,000 people are well educated. On the academic year 2018-2019, 113,277 students enroll in the Public Universities of Albania.

English, Italian and Greek language is widely spoken. Due to the migration steam in Greece, a significant number of young people have received Greek education, either in secondary or even higher education.

<http://www.instat.gov.al/al/temat/tregu-i-punës-dhe-arsimi/pagat/#tab2>

<https://euralius.eu/index.php/en/library/albanian-legislation/send/116-labour-code/144-labour-code-en>

Source of information: General Directorate of Taxation, social insurance contributors; INSTAT's calculation.



## **8. REFERENCES**

- 1) Law No. 7764 / dated 2.11.1993 "On Foreign Investments" amended by law no. 10316 dated 126.09.2010 and law no. 46/2017 dated 13.04.2017, amended by law no. 100, dated 13.12.2018;
- 2) Law no. 7703/11.05.1993, "For Social Security in Republic of Albania", amended by laws: No. 7932, dated 17.05.1995; No. 8286, dated 16.02.1998; No. 8392, dated 02.09.1998; No. 8575, dated 03.02.2000; No. 8776, dated 26.04.2001; No. 8852, dated 27.12.2001; No. 8889, dated 25.04.2002; No. 9058, dated 20.03.2003; No. 9114, dated 24.07.2003; No. 9377, dated 21.04.2005; No. 9498, dated 03.04.2006; No. 9600, dated 27.07.2006; No. 9708, dated 05.04.2007; No. 9768, dated 09.07.2007; No. 10070, dated 05.02.2009; No. 10447, dated 14.07.2011; No. 13/2014, dated; No. 104/2014, dated 31.07.2014.
- 3) Law No. 7850, date 29.7.1994, "The Civil Code of the Republic of Albania";
- 4) Law 7961/1995 and its application with Law 9125 / 29.7.2003).
- 5) Law No. 8088, date 21.3.1996, "On mutual cooperation companies
- 6) Law No. 8438, dated 28.12.1998, "On Income Tax"
- 7) Law No.8449 dated 27.01.1999 "Customs Code of the Republic of Albania
- 8) Law no. 8789, date 7.5.2001, "On the registration of Non – Profit Organizations"
- 9) Law no.8788, date 7.5.2001 "On non-profit organizations"
- 10) Law no. 110/2002 "On Cross border union of companies"..
- 11) Law no. 9121/2003 "On competition protection".
- 12) Law no. 9136/11.9.2003 "collecting contributions" amended the law no 10383/24.2. 2011, the amendment of the above Law No 145/17.12.2015
- 13) Law 9632/30.10.2006 "On the system of local taxes" amended Law No 1881/ 28.12.2013
- 14) Law No.7928 dated 26.12.2007 "For VAT"
- 15) Law no. 9723, date 3.5.2007, "On business registration";
- 1) Law no. 9789/2007 "On the Establishment and Functioning of Technology and Economic Development Areas" amended by law Nr. 54/2015.
- 2) Law no. 9901 date 14.4.2008 "On Entrepreneurs and Commercial Companies";
- 16) Law no. 9920, date 19.5.2008 "On tax procedures in the Republic of Albania";
- 3) Law no. 10081, dated 23.02.2009, "On Licenses, Authorizations and Permits in the Republic of Albania"
- 4) Law no. 10198/2009 "On Collective Investment Enterprises" (amended).
- 5) Law no. 38/2012, "On agricultural cooperation";
- 6) Law 131/2015, "On the National Business Center";
- 7) Law No 136/2015 on Amendments to the Albanian Labor Code
- 8) Law no. 55/2015 "on Strategic Investments";
- 9) Law no. 52/2016, "On saving and credit companies and their unions"
- 10) Law no. 25/2018 "On accounting and financial statements";
- 11) Decision of the Council of Ministers no. 179, date 9.3.2016, "On the approval of the National Business Center Statute";

- 12) Decision of the Council of Ministers no. 391, date 3.5.2017, “Regarding the determination of the registration and publication procedures at the National Business Center“.
- 13) DCM no. 538, dated 26/05/2009, “On Licenses and Permits”
- 14) DCM no. 809 dated 26.12.2018 on “The basic monthly wage in Albania”

### ***Useful sources of information***

- Financial Supervisory Authority <http://www.amf.gov.al/>
- Albanian Association of Banks <http://www.aab.al/al/>
- Ministry of Urban Development <http://www.zhvillimiurban.gov.al/>
- Gateway to Albania: <http://albania.al/>
- General Tax Directorate: <https://www.tatime.gov.al/eng/>
- Customs Administration: <http://www.dogana.gov.al/en>
- Institute of Social Insurance: <http://www.isshe.gov.al/al/sigurimi-i-detyruar/>
- Councils of Ministers: <https://www.parlament.al/>
- Ministry of Finance: <http://www.financa.gov.al/en>
- Bank of Albania: <https://www.bankofalbania.org/>
- Institute of Statistics: <http://www.instat.gov.al/en/Home.aspx>
- Electronic and Postal Communications Authority: <http://akep.al>
- Official Publications Centre: <http://www.qbz.gov.al>

### ***Other useful addresses and websites:***

- Albanian Investment Development Agency: <http://aida.gov.al/home>
- Portal of public services: <https://www.e-albania.al/>
- Foreign Investors Association of Albania: <http://fiaalbania.al/>
- [https://www.youtube.com/watch?v=hBwb\\_zJ78DQ](https://www.youtube.com/watch?v=hBwb_zJ78DQ)

## 9. ANNEXES

### 9.1. Steps – Starting a Business in Albania – Procedure, Time and Cost - ANEKS 1

No	Procedures	Time to complete	Associated Costs
1	<p><b>Request and obtain the Registration Certification and Unique Business Identification Number from the National Business Center (Qendra Kombetare e Biznesit)</b></p> <p><i>Agency : National Business Center</i></p> <p>The National Business Center was established by law 131/2015, dated 26.11.2015, through the merger of the National Registration Center and the National Licensing Center. The National Business Center functions as a Single Window where the entrepreneur can complete company registration, tax registration, social and health insurance and labor inspectorate registration using a single application procedure. The registration may be done in person or online via e-Albania portal, which was launched in January 2015. The online company registration is free but requires an authentication process and electronic signature. At present, majority of companies still register in person.</p>	1 day	ALL 100
2	<p><b>Employee registration with the Tax Office and Labor Office</b></p> <p><i>Agency : Tax Office, Labor Office</i></p> <p>After the registration with NBC, all the information about new company is available to the State Labor Inspectorate immediately through the online portal e- Albania (Law Nr. 9723 of 03/05/2007)</p> <p>To finish employee registration, employer needs to register its employees separately with the Tax Office, at least 24 hours before employees' starting work. The registration can be done online by filling the declaration form E-sig 27 at <a href="http://www.tatime.gov.al">www.tatime.gov.al</a>. In case the employee is not registered in the time mentioned above, the employer gets a fine of 1,000 ALL. The employees are also registered with the Labor Office in the same platform.</p> <p>After registration of employees, every quarter the employer must submit in person the following documents to the Labor Office for unemployment benefits, professional services and other benefits:</p> <ol style="list-style-type: none"> <li>1. The declaration of the employed persons (downloaded from <a href="http://shkp.gov.al/punedhenes">http://shkp.gov.al/punedhenes</a>)</li> <li>2. Submit the payroll every 3 months by keeping a signed and sealed copy</li> </ol>	half a day (online procedure)	no charge
3	<p><b>Finalize registration with the Municipality Bureau of Internal Revenue and obtain list of applicable local fees and taxes</b></p> <p><i>Agency : Municipality Bureau of Internal Revenue</i></p> <p>The National Business Center, within 24 hours from the registration of the company notifies the Municipality Bureau of Internal Revenue and Tax Authorities. After the business has obtained the registration certificate from the NBC, the municipality bureau of internal revenue will request additional documents to assess list and amount of local fees and taxes that are due by the new</p>	1 day	ALL 30,000 (cleaning fee) + ALL 27,000 (temporary educational tax)

company.

In order to finalize the registration with the Municipality Bureau of Internal Revenue, it is advised that the following documents are submitted in person:

- 1) The Application form;
- 2) The Registration Certificate form the National Business Center
- 3) the Statute and the By Laws of the Company
- 4) Rent agreement or proprietorship certificate of the Headquarters of the Company.

Under Resolution of the Municipal Council of Tirana no. 59, dated December 30, 2015, as amended by the Municipality Council Decision no. 8 dated March 11, 2016, the taxes / fees to be paid by the company effectively from March 21, 2016 are as follows:

- ✓ billboard tax for identification purposes up to 2 sq.m.: ALL 0; above 2 sq.m.: ALL 45,000;
- ✓ cleaning fee: ALL 20,000 - ALL 170,000 - depending on main activity of the company (such as production, or sale of goods or provision of services) and size of the company. Companies that sell industrial items (clothing, perfumery, jewelry, etc) and have annual turnover above ALL 8,000,000 are subject to ALL 30,000 cleaning fee
- ✓ temporary education tax: ALL 9,000 - ALL 27,000 - depending on the size of the company.

Companies that have annual turnover above ALL 8,000,000 are subject to ALL 27,000 education tax

All above charges are annual. Billboard tax and cleaning fee are due after 3 months from the registration of a new company; temporary education tax is due after 1 month from the registration of a new company.

#### 4 Purchase pre-printed invoices from Tax Authority:

1 day 360 ALL for a batch of 50 invoices

*Agency : Tax Authority*

According to the Fiscal Procedure Law, a newly established company must purchase pre-printed invoices from tax authorities. The company may not use invoices other than the pre-printed ones. Following company registration, the company founders or representatives request to purchasing a batch of pre-printed invoices, with company number on them, at the price of 360 ALL for each batch (50 copies).

#### 5 Make a company seal

1 day ALL 3,000 to ALL 5,000

*Agency : Private seal makers*

Based on Order of the Prime Minister no. 70, dated 18.4.2016, the state authorities dealing with the registration and licensing of business should simplify the requests regarding the documentation, by interrupting any request to companies where documentation should be sealed or in original copy. According to this order, the documentation is not required to be sealed and may be presented as a simple copy (i.e. non in original or certified true copy). However, in practice authorities continue to request that the documentation is sealed.

Therefore the legal requirement for a company seal is considered as abolished. However, there are still random requests for stamping registration and notification forms based on the interpretation of specific agency officers. Thus, the most companies still prefer to make a company seal.

## 9.2. Paying Taxes in Albania - ANNEX 2

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax and contribution rate (% of profit)	Notes on TTCR
Social security contributions	12.0		61.0	15%	gross wages, minimum salaries are imposed	16.92	
Corporate income tax	5.0		104.0	15%	taxable profit	14.13	
Health insurance contribution	0.0	jointly		1.7%	gross salaries	1.92	
Municipal taxes	1.0			ALL 360,000	fixed fee varies by type of business	1.42	
Property transfer tax	1.0			2%	sale price	1.21	
Tax on impact on infrastructure	1.0			2%	value of investment	0.61	
Building tax	1.0			0.2% for business property	market value of the building	0.28	
Land Tax	1.0			12-20 ALL/m2	The surface of the land plot	0.12	
Employee paid - Labor tax	0.0	jointly		11.2%	gross salaries	0.00	withheld
Fuel tax	1.0				included into the fuel price	0.00	small amount
Value added tax (VAT)	12.0		87.0	20%	value added	0.00	not included
Totals	35		252			36.6	

### 9.3. Guidelines for business plan preparation - ANNEX 3

In planning a business, you must examine four major areas:

**1. Description of the business.**

- a. What type of business are you planning?
- b. What product will you sell?
- c. What type of opportunity is it (new, expansion, seasonal, year round?)
- d. What are the opportunities for growth?

**2. Marketing plan.**

- a. Who are your potential customers/
- b. How will you attract and hold your share of the market?
- c. Who are your competitors? How are their businesses prospering?
- d. How will you promote your sales/
- e. Who will be your suppliers?
- f. Where will the business be located?

**3. Organization plan**

- a. Who will manage the business?
- b. What qualifications will you look for in a manager?
- c. How many employees will you need/
- d. How will you manage finances?
- e. How will you keep records?
- f. What legal form of ownership will you choose and why?
- g. What licences and permits will you need?
- h. What regulations will affect your business?

**4. Financial plan**

- a. What is your estimated business income for the first year?
- b. What will it cost you to open the business?
- c. What will be your monthly cash flow during the first year?
- d. What sales volume will you need in order to make a profit during the first year?
- e. What will be your break even level of production?
- f. What will be the capital value of your equipment/
- g. What will be the total financial needs?
- h. What will be the potential funding sources?
- i. How will you secure loans?