

DOING BUSINESS

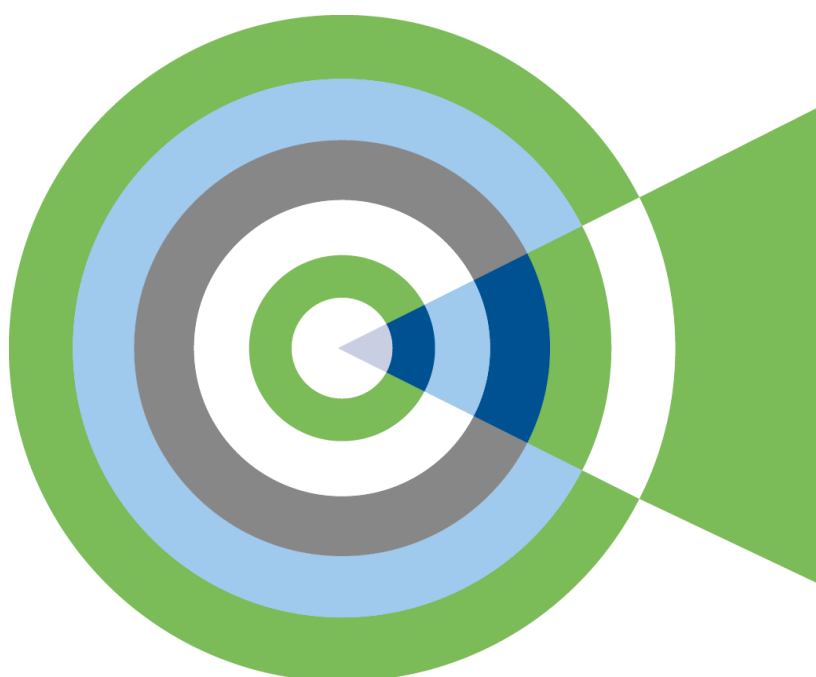
IN ALBANIA



The network
for doing
business

CONTENTS

1 – Introduction	3
2 – Business environment	4
3 – Foreign Investment	7
4 – Setting up a Business	27
5 – Labour	34
6 – Taxation	40
7 – Accounting & reporting	48
8 – UHY Representation in Albania	49



1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Albania has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Albania can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at January 2018.

We look forward to helping you do business in Albania.

2 – BUSINESS ENVIRONMENT

COUNTRY BACKGROUND

GEOGRAPHY

The Republic of Albania is situated in south-eastern Europe, south-west of the Balkan Peninsula. It is bordered by Montenegro and Kosovo to the north and north-east, by Macedonia (FYROM) to the east, by Greece to the south and south-east, and by the Adriatic and Ionian Seas to the west.

The territory of Albania occupies an area of 28.748km² of which over three-quarters is mountains and hills, while the coastal area is flat. Albania has a typically Mediterranean climate, with cool wet winters and warm dry summers.

Tirana (863,000 inhabitants) is the capital of Albania and the centre of the business and financial activity. The country is divided in 12 districts and its other major cities are Elbasan (283,322), Fier (302,507), and Durres (284,823).

PEOPLE

Albania has a population of 2.88 million inhabitants (January 2017) which consists mainly of ethnic Albanians (97%). The remainder are of Greek, Macedonian, Gypsy, Roma, and other descent. Albania has a relatively young population; the average age is 35 years.

RELIGION

There are three principal religions in Albania, namely Islam (58% of the population, mostly belonging to the Sunni sect), Orthodox (6%) and Roman Catholic (10%). Albania is known for the tolerant and peaceful co-existence of its religious communities.

LANGUAGE

The official language is Albanian, which is written in Latin script and has 36 letters. Due to Albania's proximity to Italy, many Albanians speak Italian. English is becoming increasingly spoken.

GOVERNMENT

Albania is a parliamentary republic. The parliament (*Kuvendi Popullor*), composed of 140 members, holds the legislative power. The executive power is held by the Council of Ministers, which is chaired by the prime minister, who is appointed by the president of the republic upon the approval of a parliamentary majority. Ministers are appointed and removed by the president of the republic, upon the proposal of the prime minister. The president of the republic is elected by the parliament for a five-year term and may be re-elected only once.

CURRENCY

The Albanian currency is Lek (ALL), although US dollars (USD) and euros (EUR) are frequently used in business transactions. At 31 December 2017 closing exchange rates were:

EUR 1 = ALL 132.95

USD 1 = ALL 110.10

There is no specific law regulating the payments system in Albania. Payments between private individuals and legal entities are considered to be part of a civil-law relationship and are subject to the Albanian civil code. The use of foreign currency is allowed as a means of payment. There are no constraints on trading with hard currency.

All commercial banks licensed by the Bank of Albania may carry out foreign payments. The Bank of Albania, which is responsible for managing the foreign currency reserves, is also active in performing international payments. Every local or foreign person may own an unlimited number of accounts in any currency, in any bank in the country.

MISCELLANEOUS

Albania observes central European time (GMT +1) during the autumn and winter months and daylight savings time (GMT +2) from March through October.

Albanians celebrate Independence Day (28 November) as a national holiday.

LEGISLATION

GENERAL OVERVIEW

The Albanian legislation is often drafted with the assistance of experts from the EU and USA and generally reflects the same principles found in western democracies and free market economies. In the last two decades Albania has been undergoing several legislative reforms and this has resulted in a large amount of approved legislation. This trend will likely continue in the future as Albania is preparing for EU membership.

SOURCES OF LAW

The sources of law in Albania are the constitution, ratified international conventions, the acts of parliament, and the normative acts of the Council of Ministers. The territorial jurisdiction of the acts of local governments extends only within the territory where the local government exercises its jurisdiction. The normative acts of ministers and other government institutions apply only within their area of material jurisdiction.

JUDICIAL SYSTEM

The Albanian judicial system is composed of 29 courts of first instance, six courts of appeal, one military court of appeal, the Supreme Court, and the constitutional court.

Albania is a member of the Council of Europe and a party to the European Convention on Human Rights. Consequently, the Albanian government may be held liable in front of the European Court of Human Rights. As a member of the United Nations (UN), Albania is a party to the Statute of the International Court of Justice. Albania has ratified the Rome Statute of the International Criminal Court. Albania is also a party to the European Convention on International Commercial Arbitration.

By the end of 2013 the administrative court started functioning and deals with administrative acts and conflicts between the business/individual and the government institutions.

ECONOMY

OVERVIEW

Albania is one of Europe's developing countries. The government has been pursuing full integration into the Euro-Atlantic community for several years. In June 2006, Albania signed a Stabilisation and Association Agreement with the European Union as the first step toward EU membership, as well as a free trade agreement giving Albanians duty-free access to key EU markets and opening the country to imports. In April 2009, Albania also achieved full membership to NATO.

From 16 December 2010, Albanian citizens holding a biometric passport may freely travel in the Schengen area without need of a visa.

The economic growth of Albania for 2016 was 3.4% and reasonably the same for 2017 (not yet official)

The negative effects of the global crisis could mainly be seen in the reduction of remittances sent by emigrants to their families in Albania (remittances in 2016 totalled EUR 616 million against EUR 952 million in 2007 (the highest), or 12% bigger than the minimum level registered in 2013).

Albanian GDP growth saw a sharp slowdown in 2010 and 2011, but started picking up in 2012 and continues to rise (3.5 in 2016 and 3.7 estimated in 2017).

Albania's financial sector has grown rapidly and credit is generally allocated on market terms. Banking is increasingly dominated by foreign banks, which account for about 90% of total assets. This has led to more competition and better availability of services. Supervisory regulations have been strengthened to preserve financial stability. In response to the global financial crisis, the Central Bank of Albania acted to increase liquidity and maintain public confidence. With little or no direct exposure to recently troubled international financial assets, Albania's banking system has been able to withstand the global financial shock with little disruption.

3 – FOREIGN INVESTMENT

INCENTIVES AND ADVANTAGES FOR FOREIGN INVESTMENTS

To increase foreign direct investment, the government of Albania intensified its efforts to implement a number of fiscal and legislative reforms to improve the business climate.

These reforms include incentives for foreign investments in various sectors of the economy such as energy, tourism, agriculture, mining etc.

Since the new government was elected (23 June 2013) it has intensified the efforts to improve the legal framework and fiscal policies in order to focus on foreign investors and make their investments safer.

Following the improvements made in the Tax on Income Law and Fiscal Procedures Law in 2014, a new VAT Law was issued in early 2015, and by the 2016 the government passed into an entirely new fiscal package.

Albania is one of the fast-growing economies of south-eastern Europe and has a very favourable geographic position. The costs of doing business in Albania are very competitive, both in terms of labour and general overhead costs. One of Albania's main strengths is its low-cost labour, high in quality and motivation, with high levels of language skills and adaptability, working in a tolerant and progressive environment.

LEGAL FRAMEWORK

The legal framework to encourage investment is already in place. Law 7764 'On Foreign Investments', dated 2 November 1994, was designed to create a favourable investment climate for foreign investors in the country.

The law offers considerable guarantees to all foreigners (either natural persons or legal entities) willing to invest in Albania. Such provisions include:

- No prior government authorisation is needed and no sector is closed to foreign investment
- There is no limitation on the percentage share of foreign participation in companies – 100% foreign ownership is possible
- Foreign investment may not be expropriated or nationalised directly or indirectly, except for designated special cases, in the interest of public use and defined by law
- Foreign investors have the right to expatriate all funds and contributions in kind of their investments
- Most favourable treatment for investors according to international agreements is also provided under Albanian law.

There are limited exceptions to this liberal investment regime, most of which apply to broadcasting, health services and legal services. Restrictions on the purchase of real estate are also notable: agricultural land cannot be purchased by foreigners, but may be rented for up to 99 years; commercial property may be purchased, but only if the proposed investment is worth three times the price of the land. There are no restrictions on the purchase of private residential property which does not involve land.

Investors in Albania are entitled to judicial protection of legal rights related to their investments. Parties to a dispute may agree to arbitration. Foreign investors also have the right to submit disputes to an Albanian court. Provisions regarding domestic and international commercial arbitration are incorporated into the Albanian Code of Civil Procedure.

The primary goals of Law no. 9663 'On concessions', dated 8 February 2006, are to establish the necessary framework for the promotion and facilitation of concessionary project implementation, increase transparency and project sustainability. The law applies to several public sector services including transport, power production and distribution, telecommunications etc.

Law no. 9723 'On the National Registration Centre', dated 3 May 2007, establishes the National Registration Centre (QKR) as a new central public institution, which has made the set-up of a business an easy and fast procedure.

Law No.9901 'On entrepreneurs and companies', dated 14 April 2008, regulates the status of entrepreneurs, the founding and managing of companies, rights and obligations of founders, partners, members and shareholders, companies' reorganisation and liquidation. Provisions requiring disclosure of information on a company website may be satisfied by establishing an effective link to the registered information held by the National Registration Centre for that company.

The Albanian tax system does not discriminate against foreign investors. Similarly, legislation concerning the public procurement process makes little distinction between foreign and domestic firms.

TYPES OF INVESTMENTS

LEGAL FRAMEWORK

According to the Law on Foreign Investments, a 'foreign investor' is:

- Every individual citizen of a foreign country
- Every natural person/citizen of the Republic of Albania but who has already resided outside the country
- Every legal entity founded according to the laws of a foreign country, which directly or indirectly seeks to carry out or is carrying out an investment in the territory of the Republic of Albania in accordance with its laws, or has carried out an investment in accordance with laws that have taken effect since 31 July 1990 to-date.

According to the same law, a foreign investment is any type of investment in the territory of the Republic of Albania under the direct or indirect ownership of a foreign investor which consists of:

- Movable or immovable assets, tangible or intangible assets or any other kind of possession
- A company, stock shares in a company and any form of participation in a company
- Loans, financial obligations or obligations in an activity that has economic value and that is connected with an investment
- Intellectual property, including literary, artistic, scientific, technological, audio recording, invention, industrial designs, semiconductor mask works and know-how

- A right given by law or contract and a licence or authorisation given in accordance with the law.

Pursuant to the law, foreign investments are treated equally with domestic investments (with the exception of land ownership which is regulated by a special law) and are treated no less favourably than under general norms of international law. Therefore, the rules governing national investments also apply to foreign investments.

For an example, the Albanian tax system does not discriminate against foreign investors and no distinction is made between foreign and domestic investors. The e-taxes reform is progressing and as of January 2008 corporate income tax was reduced from 20–10%, one of the lowest rates in the region. In addition, as of May 2009 social insurance contributions payable by employers have been further reduced from 20–15%, down from 29% in 2006. Businesses can file their tax returns and social insurance declarations electronically in 12 cities, including Tirana, and electronic payment of taxes is also possible through certain banks. (For additional information please see Section 6 – Taxation.)

The Albanian Constitution of 1998 provides that limitations on the freedom of economic activity may be established only by law and justified by public interest and that such limitations may in no case infringe the essence of the rights and freedoms or exceeds the limitations provided in the 1950 European Convention on Human Rights. Accordingly, as indicated above, Law No. 7764 of 1994 provides that foreign investments shall not be expropriated or nationalised, either directly or indirectly, except for public purposes and, in any case, upon payment of a compensation equivalent to the fair market value of the expropriated property. Such compensation should be paid without delay and include interest at the commercial market rate from the date of the expropriation. The compensation is fully transferable and convertible at the market exchange rate of the date of expropriation. A foreign investor has the right to request an immediate review of an expropriated action or compensation through the appropriate legal or administrative institutions.

Law No. 7764 of 1994 also states that ‘foreign investment in the Republic of Albania is not subject to prior authorisation’, thus repealing legislation previously in force. However, the Albanian legal system requires special authorisations and licences for particular activities, whether or not exercised by foreign investors. The majority of entrepreneurial activities (eg. exchange offices, transportation activities, construction activities, private medical services, the legal and notary professions, production and sale of pharmaceutical products, bakeries, telecommunication services etc.) require a commercial licence to be issued by the competent ministry.

SECTORS

According to statistical data, the most developed sectors of the Albanian economy are 1) agriculture 2) industry and 3) commerce and services.

AGRIBUSINESS

Law no. 9817 ‘On agriculture and rural development’, dated 22 October 2007, provides for the agriculture policies in Albania, the institutional framework and public services, as well as the forms of organisation of agriculturists and farmers.

Albania offers opportunities in agriculture built around its favourable climate and low-cost rural labour force. Still using traditional methods, Albania's fruit, vegetable, meat and dairy products are cultivated using few artificial additives, chemicals or pesticides. Thus, Albania is in a position to become a world-class producer and exporter of quality organic foods destined for regional, European and North American markets. Albania's significant forest resources present additional opportunities for foreign investment, particularly by furniture and cabinet-making companies with their own distribution networks.

The Albanian agribusiness sector is an important part of the Albanian economy contributing some 25% of GDP and employing 60% of national workforce. Substantial investments have been made in recent years and added value in the sector has increased at 10–15% per year.

With the ratification of the Stabilisation and Association Agreement (SAA) (which was signed on 12 June 2006 and then went through a three-year ratification period, finally entering into force on the 1 April 2009) Albania is now applying European rules and standards concerning agriculture.

INDUSTRY – GARMENTS' MANUFACTURE

Textiles and garments are the largest employer in the manufacturing sector. Building upon a strong post-war tradition of garments production, since privatisation in 1990 many local firms have created a strong reputation for themselves, while foreign firms have substantially increased their share of the sector's output particularly within the export processing regime. Many foreign firms have been operating in Albania for more than a decade and a large percentage are still increasing the scope of their operations and hiring more staff. Export and import figures, both of which have increased in recent years, are closely related within a re-export regime that sees imports of semi-finished products re-exported after several manufacturing operations inside Albania.

The main advantages of investing in Albania in the garments sector include:

- A skilled, adaptable and flexible workforce that is available across the country and has experience in the sector
- A sector able to adopt new technologies and meet international quality standards and meet short delivery times
- Lower direct and total labour costs than most comparable countries
- Lower costs of transportation due to the geographic position of Albania, with easy access to Italy, Greece and the Balkan markets
- No VAT or custom duties for 100% fashion producers under the re-export scheme.

Currently the government is working to adapt a new law on the re-export scheme with the intention of making it easier to set up business in Albania, by for example providing state-owned rental facilities at nearly zero cost, certain fiscal incentives regarding VAT reimbursement, grants for training periods of new employees and other tools.

INDUSTRY – SHOE MANUFACTURE AND LEATHER PROCESSING

Albania is one of the leading shoe producers and leather processors in the world. Exports of Albanian footwear have increased significantly in the last four years, and the country ranks among the top world exporters in this sector. Albanian shoe and leather exports are currently growing by 20–30% per annum. Albania is the second-largest exporter of shoes to Italy – by far the leading exporter of shoes in the world – and Albania is an ideal location to export to the Italian, European and Balkan markets. Foreign investors in Albania are also increasingly exporting to non-European markets. With free trade agreements signed with the Balkan countries and the EU, Albania offers unrestricted export opportunities within the region. Quality levels in Albanian shoe and leather factories are high, with many companies having ISO9001 certification.

COMMERCE AND SERVICES – TOURISM

Tourism in Albania is regulated by Law No.9734 'On tourism', dated 14 May 2007. Incentives in the tourism sector were introduced in 1993 as part of the law 'For Development of Tourism Zones'.

They are built around a special status created for tourism sector investors – designated as 'promoted persons' – which is awarded by the Ministry of Tourism, Culture, Youth and Sports. Investors holding this status can:

- Be exempted from custom duties and excise taxes on imported goods
- Benefit from a 10-year tax incentive through exemption from profit tax for five years from the time of completion of the development phase of their investment and the application of tax at only half the normal rate for five years
- Benefit from a reduction of profit tax up to 40%, if profits are reinvested in Albania
 - The principal activities that are covered are:
 - Construction, reconstruction, improvements and extension of existing facilities
 - Operation of hotels, motels and tourist villages
 - Structures that complement tourist resorts such as restaurants, shops, thermal baths and sport facilities.

COMMERCE AND SERVICES – COMMERCIAL CENTRES

A very important new trend is developing quickly in Albania, namely the creation of shopping malls. With the growth of the economy and social development, commerce is moving from small shops and boutiques to big shopping malls established in city centres or outside them.

Some of the biggest shopping centres/malls are:

- Qendra Tregtare Unives – QTU (www.qtu-al.com), 5km outside of Tirana, on the way to the Tirana Rinas Airport)
- Toptani Shopping Center (<http://www.toptani.com.al/>), located about 400 meters from the city center
- City Park (www.cityparkalbania.com), 15km outside of Tirana, on the way to Durres
- European Trade Centre – ETC, Tirana City Centre
- Kristal Center , Tirana City
- Tirana East Gate (TEG) Km 5°, Rruga e Elbasanit, (<http://www.teg.al/>) (Tirana)
- RING Center (<http://ring.al/>)
- Riviera Shopping Mall (Vlora)
- Qendra Tregtare Unives Fier – QTU (Fier). (<http://www.qtu.al/al/>)

BEST PRACTICE AND INCENTIVES

Albania is not only a country which has considerable natural resources (petroleum, natural gas, coal, bauxite, chromium, copper, iron ore, nickel, limestone, salt, timber and hydro-electric power), but also a growing economy based on legal incentives which aim to attract investors.

As mentioned, Albania offers equal treatment of foreign and domestic investors, full profit and dividend repatriation (after taxation), repatriation of funds from liquidated companies, treaties which avoid double taxation and bilateral agreements on the promotion and protection of reciprocal investments with 41 countries.

TAX EXEMPTIONS

Investments with substantial economic impact can benefit from tax exemption, subsidised sites and infrastructure.

Industrial, scientific and technological parks receive exemption from profit tax as well as from tax for change of land use; in addition, they receive other support services and funding mechanisms. Free zones benefit from exemption from custom duties as well as from VAT. Those who invest in less favoured areas benefit not only from exemption from custom duties, but also from tax for change of land use. For these kind of investments, the government accords employment and training grants. Grants and loans (or guarantees) are also provided under the regime for acquisition of certain (high tech) equipment. Importers of machinery and equipment can take advantage of a 100% VAT credit if the machinery and equipment are used solely as part of their taxable economic activity.

SITE AVAILABILITY

Various sites are currently available under the Albania 'One Euro' initiative. These range from basic production facilities throughout the country to high-quality serviced office space in all of the main cities. Industrial sites are better priced in Albania than in eastern European or other Balkan countries. Electricity and water costs are also at or below those of other countries. Factory units are available for refurbishment and in many cases are government owned and offered along with attractive leasing arrangements based upon the number of jobs created.

LABOUR COSTS AND PRODUCTIVITY BENEFITS

The average monthly gross salary in Albania is around 350 euro (46,5301 Lek), which is highly competitive on a global level. Wages in the service sector are higher than the average but still range from approximately one-third to one-fifth the level of EU countries, which makes them very competitive. Average gross salaries range from EUR 365 per month for customer service employees to just over EUR 465 for data entry/processing employees and EUR 550 for accountants. The average gross salary for a manager is at about EUR 1,000 per month. At this level of service sector wages, incoming investors can realise significant savings on the cost of human resources compared to other eastern European countries. Personnel employed in the Albanian business services sector are considered to deliver good productivity rates at low cost.

For more information concerning employment and labour law issues, please refer to Section 5 Labour, 'Employment and Labour Law'.

ECONOMIC ZONES

Economic zones – both free zones and industrial parks – encompass every kind of economic activity which can be carried out under the main business laws (except when activities may have bad impact on the environment or the Albanian national heritage).

The activities in the Economic zone may be carried out by Albanian or foreign persons (physical and legal), subject to licences released by the economic zone's administration.

Administration of assets (concession) in economic zones, whether public or private property, as well as services and/or activities of national or local interest, can be subject of licences. This is accomplished through an agreement by which the administration of the economic zone (developer) transfers for a period of a maximum of 35 years to the operator, the operation right and duty of the management of the assigned asset, in exchange for an amount which will constitute income for the respective administration. Users can be physical or legal persons or developers and operators must be legal persons. Developers and operators, as well as users, can be Albanian or foreign persons; the law treats them with no discrimination, giving them the same rights and same duties.

The Law on Economic Zones is highly favourable to investments and it gives palpable incentives to business. Services, products and other goods which are introduced in the economic zones or will be exported to other countries, benefit from custom duties exemption as well as exemption from VAT payment. These exemptions apply only to economic zones which do not have the status of an industrial park.

INDUSTRIAL PARKS

According to Law no. 9789/2007, the industrial park is defined as a precisely determined area where industrial production and service activities are performed with special incentives, for the purpose of optimising the human and material potential within an area. The creation of an industrial park is based on a joint venture agreement between the public authorities, economic agents and/or other interested partners. Industrial parks may be managed by commercial companies, set up in accordance with Law no. 9789/2007.

FREE ZONES

According to Law 9789/2007, free zones are expressly delimited, having a specific customs regime which limits customs only to the borders of such areas. The setting up of the territorial area of the free zones, customs offices and border police points is carried out pursuant to a government decision granted upon each proposal.

Means of transportation, products and other goods are accepted within the free zones with no restrictions concerning the country origin, or destination country. The import of goods which are subject to prohibitions under Albanian laws or international agreements to which Albania is a party, is nevertheless forbidden.

CONSTITUTIONAL AND LEGAL GUARANTIES

The legal framework of foreign investment in Albania is founded on the 1998 constitution, which provides fundamental rights and freedoms which are also valid for foreigners, condemning discrimination based on race, ethnicity, language or economic conditions.

In 1993, Albania passed a new foreign investment law that greatly liberalised foreign investment and provided a number of basic guarantees and protections for foreign investors. Law 7764 'On Foreign Investment' parallels World Bank guidelines and addresses the admission, treatment, expropriation and settlement of disputes concerning foreign direct investment. Under Law 7764, foreign investment is liberally defined and is permitted and treated under conditions no less favourable than those that apply to domestic investment in similar circumstances, excluding the ownership of land, which is regulated by a special law. Law 7764 – in line with the 1998 constitution – further provides that foreign investments will not be expropriated or nationalised either directly or indirectly, except for public purposes and upon payment of compensation equivalent to the fair market value of the expropriated property.

Albania has been a member of the Convention of Multilateral Investment Guarantee Agency (MIGA) since the 15 October 1991. MIGA provides investment guarantees against certain non-commercial risks (ie political risk insurance) to eligible foreign investors for qualified investments in developing member countries.

Along with the MIGA Convention, Albania has signed the New York Convention of 1958 (on the recognition and enforcement of foreign arbitral awards) and the Geneva Convention on Execution of Foreign Arbitral Awards. The Overseas Private Investment Corporation (OPIC), a US-government sponsored entity, can make insurance and project finance resources available to US investors in Albania. OPIC's three main activities are risk insurance, project finance and investment funds. In addition, Albania has been a member of the World Trade Organisation (WTO) since September 2000.

DISPUTE RESOLUTIONS

Investors in Albania are entitled to judicial protection of the rights relating to their investments.

Parties to a dispute may agree to submit claims for consideration by an arbitration institution. Foreign investors also have the right to submit disputes to an Albanian court or to the arbitration court in Tirana. Provisions on domestic and international commercial arbitration are incorporated in the Code of Civil Procedure.

The Law on Foreign Investments defines a foreign investment dispute to mean any disagreement pertaining to a foreign investment in Albania, and it allows the foreign investor to contract for the dispute resolution procedure of choice. In the event of a dispute arising between the foreign investor and either a private Albanian party or any branch of the Albanian government, the dispute may be submitted for resolution to a previously agreed-upon dispute resolution procedure. If no such procedure has been specified, the foreign investor may submit the dispute to an authorised court or arbitrator as provided by Albanian law.

Arbitration is also a recognised form of conflict resolution in Albania. An arbitration tribunal has been established in Tirana. Through Law no. 8012, dated 18 October 1995, Albania has ratified the international convention 'On the reconciliation and arbitration in OSCE'. Since the passing of this law, many conflicts arising between the state and international companies or organisations, or between private companies, are resolved through arbitration.

ENERGY SECTOR

GENERAL OVERVIEW

Inheriting an old electric-energy system dating back to the late 1980s and going through a very difficult and long transition, the Albanian government's objective consists in the development of the energy sector by making it secure and competitive, in order to guarantee energy supply to all consumers, and applying reasonable prices in compliance with economic, environmental and market principles, in accordance with EU directives (2003/54) and the EU Energy Treaty.

Recently, the energy sector has been subject to changes after the state owned corporation of Albanian Electro Energy split into three smaller companies responsible for production, transmission and distribution. The distribution sector was later privatized.

The Electricity Sector Regulatory Agency (ERE), has also been established.

LEGAL FRAMEWORK

The main set of rules concerning electric energy comprises a series of primary and secondary Laws, which regulate the actions of commercial entities working in the sector, as well as the necessary authorisation for the construction of new means for the production of energy.

Law No.9072 'On the electric energy sector', dated 22 May 2003, as amended (the 'Law on electric energy') sets forth the rights and obligations of natural and legal persons, the functioning of the authority of the sector (ERE), the procedures for the selection and development of a market model and its regulations. The construction of hydroelectric energy plants is primarily governed by Law No. 9663 'On concessions', dated 18 December 2006, as amended. Other sources of energy (eg wind, photovoltaic, biomass and thermal) are governed by the Decision of the Council of Ministers No. 1701 'On the approval of the regulation on procedures for permits allocation for the construction of new power generation facilities, which are not covered by the law of concessions', dated 17 December 2008. In any case, the required authorisation is issued by the Council of Ministers.

Albanian legislation is going through an approximation process with EU legislation and the Albanian legislative body is adopting a series of directives and/or European and international standards in order to encourage the production of electricity from renewable sources. In this context, Law No. 9501 'On the ratification of the Constitution of the Energy Community Treaty' (hereinafter the 'Treaty'), dated 3 April 2006, has been enacted. The Law on electric energy and the Treaty provide the framework for the approval of renewable energy plants and the issuance of green certificates. A new draft law on renewable energy is currently being discussed among relevant interest groups and is expected to be voted on by the parliament in the near future.

REGULATORY AUTHORITY (ERE)

The electricity sector regulation authority, ERE, is an independent authority established by the Law on Electric Energy and serves as a market regulator and administrator of licences in the electricity sector. It is also responsible for monitoring the authorised activities of entities within the sector and for the resolution of disputes between authorised parties and consumers. Finally, ERE approves the electricity rates and sale prices.

Additionally, the Ministry of Economy, Trade and Energy is the executive body in charge of the administration, development and investments in the energy sector.

The major stakeholders in the sector are:

- The production agency
 - KESH (Albanian Electro Energetic Corporation) is a joint stock company (Sh.a.) wholly owned by the Albanian government through the Ministry of Economy, Trade and Energy pursuant to Law No. 7926 'On the transformation of public enterprises into commercial companies', dated 20 April 1995, as amended. KESH is a company authorised by ERE to pursue the production and sale of electricity. The company performs its activity in a monopoly position
 - KESH is organised into the following divisions:
 - Production (hydroelectric centrals), and
 - Public provision, which deals with the purchase of energy from production plants and producers
- The transmission agency
 - The transmission system operator (OST) has been established under the Decision of the Council of Ministers No.797 'On the Constitution of the System Operator Transmission SH.A. Tirana, dated 4 December 2003. It is a joint stock company (Sh.a.) wholly owned by KESH Sh.a.
 - OST's main corporate purposes include the transmission of electricity from producers to the electric energy transmission system and the development of the transmission, maintenance and interconnection points of the transmission network
 - OST performs three principal functions:
 - - Market operator
 - - Manager of the electricity transmission system, and
 - - Manager of the interconnection system

Additionally, 30 other operators work in the sector which produces a total of 600MW.

OIL

In Albania, recoverable reserves from existing oil fields are estimated at about 440 million tonnes.

Gas reserves are estimated at 1.56 billion Nm³. Although deposits of natural gas can be found in Albania, there is no distribution network that operates through pipes or containers. Used for 25kg cylinders (household use), which are not currently available across the whole country, this fuel is not exploitable for industrial use.

Reserves of oil sands are estimated at 600 million tonnes, of which 55 million tonnes are bitumen. Future exploration may help in discovering more reserves of oil and gas, whose extraction started in Albania in 1918. Crude oil is exported mainly to Italy and the gas is used locally.

Two companies currently operate in the oil sector in Albania: the state-owned company Albpetrol Sh.A., active in the extraction and production of crude oil and currently in the process of privatisation; and Armo Sh.A., active in the refining and marketing industries and privatised in August 2008.

Additionally, other companies like Bankers Petroleum and Stream Oil & Gas are active in the extraction and production of crude oil and gas, through petroleum agreements entered into between Albpetrol and these companies.

Approximately 20 privately held companies operate in the oil products industry. Several private operators own distribution points and supply tanks. Since 1997, the number of filling stations in Albania has increased and they are now present throughout the country.

MINERALS

GENERAL OVERVIEW

Albania has considerable mineral resources, such as chromium, copper, nickel and coal. The quality and quantity of chromium is particularly high; before 1990, Albania was the third largest world producer and is currently the only European country with substantial reserves of this mineral. The general amount of reserves classified as 'KNR' is reported to be more than 10 million tonnes.

Albania also has significant unexploited deposits of bauxite and phosphate, as well as significant reserves of marble and stone. The Albanian Government has pursued a policy of facilitating the licensing procedures and promoting the exploitation of the natural resources of the country.

LEGAL FRAMEWORK

The mining sector is regulated by Law No. 7796 'Mining Law of the Republic of Albania', dated 17 February 1994, as amended (Mining Act), and a number of statutory documents for its implementation. Furthermore, various regulations in the mining sector exist concerning environmental protection and water, health and safety at work, use of explosives in mines etc.

Any person or entity, Albanian or foreign, has the right to carry on a mining activity, respecting the terms established by the Mining Act.

Mining permission is granted for the following categories of minerals:

- 1) Metal ores
- 2) Non-metallic ores
- 3) Coal and bitumen
- 4) Extraction of construction materials
- 5) Gemstones
- 6) Semi-precious stones

ROYALTY TAX ON MINERALS

Minerals are the property of the government and according to the income tax law, all minerals are subject to royalty tax at the production stage. The royalty tax varies according to the minerals, ranging from 4–10% of the selling price.

REAL ESTATE & PROPERTY LAW

PUBLIC PROPERTY

Law No. 8743 'On the government's property', dated 22 February 2001, makes a distinction between the state's property and public property – the latter includes the properties owned by the state which are functional and indivisible from the state and are considered to be of public interest.

Public properties are transferred or given in use as per the terms and limits established by special laws. Properties which are not considered as public, if not subject to special laws, have the same legal status to that applicable to private property.

Art. 3 of Law No. 7980 'On land purchase', dated 27 July 1995, provides that no transfer of property ownership can be made on public land, until the compensation of former owners is complete. However, there is a very important exception to this rule – under section 3/b) of Law No. 7980, the Council of Ministers may decide to sell free public land if the planned investments for that land are very important for the interest of country. The sale price is established by a decision of the Council of Ministers.

OWNERSHIP

Real estate may be owned by Albanian individuals as well as Albanian legal entities without restrictions, regardless of whether the shareholder/s of the Albanian entity is/are of foreign origin.

With regard to the ownership of real estate by foreign persons and foreign entities:

- There are no restrictions on the acquisition of buildings (i.e. apartments, offices, etc.)
- They are not entitled to obtain an ownership title over agricultural land, woodland, pasture and meadow, but are only entitled to lease this type of real estate for a period up to 99 years
- They are entitled to purchase private or state-owned land plots suitable for construction (i.e. land that is not agricultural land, woodland, pasture or meadow) on the condition that the investment built on the land is more than three times the value of the plot.

REAL ESTATE REGISTRATION

Land in Albania is required to be registered with the local Offices of Registration of Immovable Properties. As a rule, in order to become effective vis-a-vis third parties, the property rights must be registered. However, not all rights are subject to registration, for example the rights of a lease with a term less than nine years.

The law regulating real estate registration in Albania is Law No. 7843 'On Registration of Real Estate', dated 13 July 1994. The central authority responsible for registration of real estate is the Central Office of Real Estate Registration, which coordinates the several Offices of Real Estate Registration located throughout the Albanian territory.

Where real estate is registered for the first time, the relevant office registers it temporarily for 45 days, giving time for all interested persons to submit claims or requests to the office, before proceeding with final registration of the real estate property (temporary registration). According to the Albanian civil code (CC), Law No. 7850, dated 29 July 1994, as amended, real estate shall not be subject to any transaction if it is not registered with the Real Estate Register.

The details of the property and/or other documents which affect the rights of the owners are required to be registered with the Register of Real Estate within 45 days from the date of their formation and/or constitution, such as:

- The location of the property (plot) and its borders
- Date of registration
- Act of acquisition of ownership
- Identity of the owner
- The liens, leases or right to use the property and any other similar right of ownership connected to the property which is transferred by the owner to third parties.

If during the period of temporary registration, no complaints or claims have been received, the property is registered permanently. Where there are claims which do not result in an agreement, the competent court will decide on the dispute and the public officer for real estate registration will make a note of the disagreement and the subsequent decision of the court.

Under Albanian laws, the following shall be registered with the registry:

- Ownership rights
- Mortgages
- Servitude rights
- Royalties and copy rights
- Usufructs
- Leases for a term in excess of nine years
- Any other real rights over immovable properties.

According to Law no. 7843, the deed that creates any of the aforementioned rights must be registered with the local registry within 30 calendar days from its execution date, otherwise a daily fine equal to 10% of the registration fee will be applied at the moment the contractual party (ies) file the deed at the registry.

It is not mandatory to register leases with a term less than nine year.

Article 83(1) of the civil code provides that the legal transaction for the transfer of ownership title over immovable properties must be done through a notary public deed and must be registered, otherwise it is null. Accordingly, under the civil code, the ownership title is transferred to the new owner at the moment the notarial deed is registered with the registry.

However, the High Court of Albania under its Unifying Decision no. 1, dated 6 January 2009, provides that the ownership title over immovable property passes to the buyer at the time the seller and buyer execute a sale purchase contract. Thus, the registration of the sale purchase contract with the registry is not an element of validity regarding such a contract.

In practice, buyers prefer to register the notarised deed with the registry in order to preserve their rights and to render it enforceable to third parties.

ACQUISITION OF LAND BY FOREIGNERS

According to Law no. 7980 'On the acquisition of land', dated 27 July 1995, where it concerns legal persons, foreign investors are entitled to lease land in state-owned areas. However, natural persons have no right to buy such land in Albania.

In addition, restrictions on the right of sale and purchase of land are, according to Law No. 7980, provided for concerning foreign natural and/or legal persons wishing to invest in Albania. The latter may acquire land in Albania only if the investment they make exceeds three times the value of the land on which the investment shall be made.

INTERNATIONAL

Generally, international laws are not relevant to real estate in Albania. However, the international bilateral conventions that have been ratified and implemented by Albania have preference over local laws for certain transactions involving foreign investments on real estate, such as the bilateral conventions on tax treaties.

TAX

Transfers of real estate are subject to a transfer tax that is payable by the seller, unless otherwise agreed by the seller and buyer.

The rate/amount of the tax depends on the type of the real estate and its location. Real Property tax – Municipalities levy taxes based on the ownership or use of property. A real estate tax on construction projects is levied in the value of a new investment at a rate of 2% to 4% in Tirana and 1% to 3% in other municipalities.

Property tax is applicable to agricultural land too, at rates ranging from ALL 700 to ALL 5600 per hectare.

Property tax rates on building used for commercial purposes range from ALL 200 per square meter to ALL 400 per square meter.

The transfer tax should be paid prior to registration of the real estate with the registry. Transfers of real estate are exempt from VAT.

The tax payable by the seller who is a natural person is the tax on the income gained from the disposal of the real estate, and consists of 10% on the capital gained. Specifications on the calculation method of the capital gained are provided by the special directives of the Ministry of Finance and Ministry of Justice.

The tax on the income gained from a real estate transfer by legal entities is calculated jointly with the tax on the overall income generated by that entity during the respective fiscal year.

ENVIRONMENTAL PROTECTION

LEGAL FRAME WORK

Environmental policy in Albania is regulated by the Constitution of the Republic of Albania and Law No. 8934, dated 5 October 2002 'On Protection of Environment' (hereinafter 'Law on Environmental Protection').

In particular, articles 56 and 59 of the constitution clearly demonstrate the importance of the Law on Environmental Protection, which deals with sustainable development, the prevention and reduction of risk to human health, the 'polluter pays' principle, the priority of pollution prevention over subsequent remediation of damages caused, the rehabilitation and restoration of damaged environment, and the establishment and strengthening of the institutional system of environmental protection on a national and local level.

The Law on Environmental Protection provides for the institution of the agencies and bodies that administer and enforce the environmental legal framework. These bodies are the Ministry of Environment, Forests and Administration of Water (hereafter the 'Ministry of Environment'), regional environmental agencies (hereafter, 'REA'), the environmental inspectorate, units responsible for environmental issues near the central and local authorities, as well as inter-ministerial organisms, approved by the Council of Ministers, to follow important environmental issues.

Albania has executed with the European Union (EU) the Agreement for Stabilisation and Association, which also obliges the country to approximate the national legislation with that of the European Union. In this regard the Ministry of Environment and other bodies under its hierarchy, in close cooperation with local and international experts, have been working on drafting new legal and sub-legal acts on environmental issues which comply with EU policies on the environment. Such new legal and sub-legal acts have also been developed in compliance with international conventions and treaties on environmental issues.

A new environmental legal framework entered in force with full effect at the beginning of 2013 and consists of three main acts (hereafter collectively referred to as the 'new acts'):

- 1) Law no. 10431 'On Environmental Protection' dated 9 June 2011 which is harmonised with Directive 2004/35/CE
- 2) Law no. 10440 'On the Assessment of the Environmental Impact' dated 7 July 2011 which is harmonised with Directive 85/33/CEE, and
- 3) Law no. 10448 'On Environmental Permission' dated 9 July 2011 which is harmonised with Directive 2008/1/CE.

Although the new acts are not applicable to-date, the Law on Environmental Protection and its secondary legislation continues to apply with regard to environment-related activities until the new legislative acts enter into force. Pursuant to the above, all considerations and assumptions made for the purposes of this report rely on the Law on Environmental Protection and its secondary legislation.

ENVIRONMENTAL PERMITS

In principle, an environmental permit is required for any kind of activity which is considered to have an impact on the environment.

The Law on Environmental Protection states that the environmental permit is personal to the party holding it but may be transferred to other physical or legal entities subject to the transfer of the ownership or the right to exercise the activity for which the environmental permit has been obtained. Such a transfer is made only upon approval in writing by the authority which has issued the permit pursuant to the request of the interested person and accompanied by documents attesting to the transfer of the ownership or right to carry out the relevant activity.

The Law on Environmental Protection states that the change of the administrator of a legal entity does not represent a reason for the transfer of the environmental permit.

The issuance of an environmental permit is open to opposition by any interested parties, including other states in cases of a trans-boundary environmental impact. The Ministry of Environment ensures that during a period of one month, due notification and equal possibilities are served to all interested parties for an environmental permit. The decision for awarding or refusing the issuance of an environmental permit is published.

Subsequently, any interested physical or legal entity, public or not-for-profit organisation is entitled to lodge appeals with the district court pursuant to the legislation in force (article 39 of Law on Environmental Protection).

In compliance with article 26 of the Law on Environmental Protection, public and private projects of legal and physical persons, Albanian nationals or foreigners that conduct activities in the territory of the Republic of Albania which have a significant impact on the environment, should be subject to the process of an environmental impact assessment before the approval and implementation of such activities. This assessment is one of the most crucial documents for obtaining the environmental permit.

Moreover, Law 8990 'On Environmental Impact Assessment', dated 23 January 2003, sets forth the projects and activities that must undergo the process of impact assessment, such as thermo-plants for the production of energy and other burning plants with a production of heat higher than 50MV, hydro-power plants, industrial plants, agriculture, forestry etc. As per the Decision no. 1124 dated 30 July 30 2008 of the Council of Ministers, the 'Regulation on procedures and criteria for granting the Certificate of the Environmental Specialist on Environmental Impact Assessment and Environmental Audits', the Ministry of Environment is the authority which endorses the certification of specialists in the field of assessing environmental impact and carrying out environmental audits.

The procedural aspects of environmental permits issued for production activities are mainly covered by Law No. 10081 of 2009 on licences, authorisations and permits (see Chapter 4) on the basis of the one-stop shop principle.

Relevant environmental permits include:

- i) A simple environmental permit (for production activities of a small scale and local importance)
- ii) An environmental permit (for production activities in general), and
- iii) An integrated environmental permit (for business activities of a particular complexity).

LIABILITY

The environmental regulatory authorities may impose fines, confiscate equipment or materials causing pollution or damaging the environment and even suspend or revoke, temporarily or permanently, the environmental permit and close the activity for which this permit has been issued. In cases of administrative contraventions and/or criminal violations, the damages caused to the environment by the infringing person will also be evaluated and that person shall be liable for the payment of the same. As to possible defences, the interested party may appeal such decisions under the general principles set by the Albanian Administrative Code and the Civil Procedure Code of Albania.

Some environmental violations represent criminal acts under the Albanian Criminal Code, Chapter IV:

- Article 201 – Polluting the Air
- Article 202 – Transporting Toxic Waste
- Article 203 – Polluting the Water
- Article 204 – Prohibited Fishing
- Article 205 – Unlawfully Cutting Forests
- Article 206 – Cutting Decoration and Fruit trees
- Article 207 - Breach of Quarantine for Plants and Animals.

DISCLOSURE OBLIGATIONS

Under article 46(e) of the Law on Environmental Protection, during the implementation of activities, physical persons and legal entities are obliged to provide information to the Regional Environmental Agency about the results of self-monitoring not less than once in every three months and at any time for all accidents or emergency situations which have an adverse effect on the environment.

Article 56 (2) of the Law on Environmental Protection provides for a special duty of state bodies as well as of physical or legal entities that, as soon as they observe any environmental pollution or damage, they should inform the population about the negative environmental changes and the measures taken for their limitation or avoidance, as well as the actions to be undertaken by citizens to protect their health and safety. Furthermore, article 56(3), provides that the physical and legal entities should inform the buyer or consumers, at the time of sale or service provision, in writing or orally, about the hazardous components of their goods or services, as well as about the negative impacts on the environment and health.

As per article 82(2) of the Law on Environmental Protection, any lack in providing information to the population by physical and legal persons when environmental pollution or damage occurs, or in taking measures to reduce or eliminate damage or to advise on citizens' actions, is considered an administrative contravention in the field of environmental protection.

BANKING, FINANCIAL SYSTEM AND INSURANCE

LEGAL FRAMEWORK AND MAIN BANKING GROUPS OPERATING IN ALBANIA

In order to facilitate the transition to a market economy, the Albanian banking system underwent a major restructuring beginning in 1996.

The Albanian banking system includes banks and non-bank financial institutions, as regulated by law e.g. the Law on the Albanian Financial Supervisory Authority (AFSA), Law on Insurance, Law on Securities etc. In addition, there are further specific laws regulating insurance companies' activity, various types of securities etc.

Two principal laws regulate the functioning and structure of the banking system today:

- Law No. 9662 'On Banks in the Republic of Albania' dated 18 December 2006
- Law No. 8269 'On the Bank of Albania' dated 23 December 1997 (as amended)

These laws are implemented through decisions, regulations, orders and directives issued by the Bank of Albania and their aim is to ensure the stability of the banking system. Under the new legal framework, a two-tiered banking system has been formally established, where commercial banks and other financial institutions can provide a whole range of services under the supervision of the Bank of Albania.

Several international and national private commercial banks operate in Albania. National banks are the Credins Bank and Union Bank.

In addition, there are several international banks working in Albania, such as Intesa Sanpaolo Bank, Raiffeisen Bank, Veneto Banka, Societè Generale Albania Bank (Societe Generale Group), Tirana Bank (Pireus Banking Group), ProCredit Bank, American Bank of Investments, Banka Kombetare Shqiptare, NBG Bank and Alpha Bank.

Several joint ventures between state-owned and private enterprises or institutions operate in Albania as a result of the policy of liberalisation of the banking system, particularly with respect to the licensing of private commercial banks.

Financial institutions and large banking organisations such as the European Bank for Reconstruction and Development (EBRD), the World Bank and the International Finance Corporations (IFC) are present in Albania.

Banking is currently one of the most developed sectors of the country's economy.

BANK OF ALBANIA (BOA)

The Bank of Albania is the central bank of Albania. Article 161 of the Constitution ratifies the status of the Bank of Albania and Law. 8269 'On the Bank of Albania', dated 27 December 1997, sets out the objectives, tasks, organisation, ownership and financial transparency.

The Bank of Albania is a fully state-owned bank and is accountable to parliament. The Bank of Albania is managed by the supervisory council, which is composed of nine members appointed by parliament for a term of seven years, though eligible for reappointment. The supervisory council is headed by the governor, who serves as general executive director as well, and is in charge of the day-to-day business of the Bank of Albania. The Bank of Albania has a general inspector appointed by parliament.

The primary objective of the Bank of Albania is to achieve and maintain price stability. The Bank of Albania, in accordance with its primary objective and based on the domestic banking market, promotes and supports the development of the foreign exchange regime and systems, the domestic financial market and the payment system, and assists in improving monetary and lending conditions, and supporting the country's economic stability and development. Any other objective or task assigned to the Bank of Albania is conditioned by the achievement of the primary objective.

As part of its mandate to ensure a sound banking system, the Bank of Albania supervises and regulates the activity of commercial banks. As regulator, the Bank of Albania designs rules about how banks are established, and licences their activity. As supervisor, the Bank of Albania examines and monitors the activity of banks to ensure that they are safe and act pursuant to laws and regulations into force.

The Head Office of the Bank of Albania is located in Tirana. It has five branches in the districts of Shkodra, Elbasani, Gjirokastra, Korça, and Lushnja.

ALBANIAN DEPOSIT INSURANCE AGENCY

The Albanian Deposit Insurance Agency was established in October 2002 as part of the Albanian banking 'safety net'. Its main target is the protection and compensation of household deposits. The main role of the Insurance Deposit Agency is to:

- Protect depositors from an insolvent bank
- Make payments based on insured deposits up to a level and according to the provisions of law
- Achieve the stability of the financial system.

Deposits in commercial banks are insured by the Albanian Deposit Insurance Agency up to EUR 20,000.

FOREIGN EXCHANGE TRANSACTIONS

Any person in the Republic of Albania is entitled to buy or sell foreign currency in cash through a foreign exchange market operator without formal consents, permissions, licences, authorisations, approvals or certificates. Therefore, any person in the Republic of Albania may freely convert the foreign currency into Lek/ALL and vice-versa, as well as one foreign currency into another foreign currency through foreign exchange market operators.

As a general rule, no current account restrictions shall be imposed on the purchase, sale, holding or transfer of foreign exchange. However, the Bank of Albania is entitled to restrict temporarily the purchase, sale, holding, or transfer of foreign exchange for current transactions if, in the opinion of the Bank of Albania, the imposition of such restrictions is warranted to protect the exchange rate levels or its official reserves. These restrictions can only be introduced for a period which does not exceed 12 months, and can only be extended for another period of 12 months. By regulation, the Bank of Albania defines current account transactions. However such definition shall be consistent with any international agreement approved by the Republic of Albania.

INSURANCE MARKET AND AFSA

There are to-date ten active companies in the insurance market in Albania: eight are active in general insurance and two offer life insurance only. Insurance companies offering no life insurance are Insig (state owned company), Sigma (Albanian and foreign share capital), Sigal – Uniqa Group Austria (Albanian and foreign share capital), Atlantik (Albanian share capital), InterSig – Vienna Insurance Group (Albanian and foreign share capital), InterAlbanian (Albanian and foreign share capital) and Eurosig (Albanian and foreign share capital). The two companies offering life insurance are Sicred (Albanian share capital) and Sigal-Life – Uniqa Group Austria (Albanian and foreign share capital).

The insurance market is expanding and attracting foreign investments. Insurance supervision and regulations are also improving. An amendment of the insurance law was adopted in early 2007 and increased the guarantee fund for insurance companies.

The Albanian insurance market opened up to private firms in 1996. Previously, a state-owned insurance institute monopolised this market. Under Law 9267/2004 on Insurance and Reinsurance Activity, foreign and domestic insurance and reinsurance companies may establish operations in Albania. Law 9267 permits a variety of insurance activities, ranging from property to life insurance. The only specific exclusions contained in the law address social security, health and areas covered by special laws.

In order to insure property in Albania, property must be physically present in Albania. Direct insurance from abroad is prohibited unless it involves maritime transportation, air transportation or has been specifically authorised by the Minister of Finance.

All Albanian insurance companies shall be established in the form of joint stock companies and foreign insurance companies shall establish a branch in Albania. In order to engage in insurance activity in Albania a company must first obtain approval from the competent authority.

The Albanian Financial Supervisory Authority (AFSA), established in 2006, is a public independent institution. The AFSA is responsible for the regulation and supervision of the non-banking financial system and the operators in the sector. The AFSA reports to the Albanian parliament. The AFSA's primary goals are the protection of consumers' interests, promotion of sustainability, transparency and reliability in the insurance area, securities and the private supplementary pensions' area. The main areas of AFSA's activity are regulation and supervision of the insurance market and its operators, of the securities market and its operators, of the private supplementary pensions market and its operators and of other non-banking financial activities.

4 – SETTING UP A BUSINESS

LEGAL FRAMEWORK

Law no. 9901 'On entrepreneurs and commercial companies', dated 14 April 2008, regulates the status of entrepreneurs, the establishment and management of commercial companies, partner's rights and obligations, companies' reorganisation and liquidation, etc.

Under the Albanian law, an investor may set up several types of legal entity, including sole proprietorships, partnerships, limited partnerships, limited liability companies and joint stock companies. In addition, it is possible to establish a branch office of a foreign corporation.

Law 9901 establishes the basic legal framework for commercial companies. It is modelled on portions of the French, Italian, German and British laws and has as its main purpose the promotion and encouragement of the development of private enterprises in Albania, as well as the approximation of Albanian legislation to the laws of EU countries as well as to the *acquis communautaire*.

Law 9901 does not apply to not-for-profit legal entities (associations and foundations), whose legal framework is based on Law no. 8788 'On not-for-profit organisations', dated 7 May 2001, which will be covered later in this section.

Entrepreneurs and companies shall keep books and compile and disclose annual accounts and performance reports, including verification from an authorised auditor in conformity with the Law on Accounting and Financial Statements.

Law no. 9228 'On Accounting and Financial Statements', dated 29 April 2004, applies to all profit-oriented entities, such as all the commercial companies listed below, no matter what their legal form is and which requirements apply to them. This law introduces both national and international accounting standards.

COMMERCIAL COMPANIES

In order to organise a business activity in Albania, a foreign investor may choose to:

- Set up a locally incorporated company (sole proprietorship, general partnership, limited partnership, limited liability company, joint stock company and joint venture), or
- Establish a branch or representative office.

BUSINESS TAX

- For taxpayers subject to the simple income tax for small businesses, with a turnover from 5 (five) to 8 (eight) million ALL, the tax rate on taxable profit shall be of 5%.

For taxpayers with a turnover from 0 (zero) to 5 (five) million ALL, the simple income tax per year is 0 (zero).

SOLE PROPRIETORSHIP (*TREGTARI*)

A sole proprietorship is the simplest way of operating a business in Albania. To form a sole proprietorship, the foreign investor must first register as a physical person/under a business name. This is accomplished by submitting a simple application in which the investor sets forth his/her details, address in Albania, proposed business activity and a sample of their signature. The investor must then present their application and identification documents to the NRC of the district where the business will be conducted. Following registration, the investor must then register with the tax authorities. A sole proprietor has unlimited liability for the debts of his/her business.

GENERAL PARTNERSHIPS (*SHOQËRI KOLEKTIVE*)

In a general partnership, all partners are jointly and severally liable, without limitation, for the amount of the partnership's obligations. Creditors of a general partnership at first have to claim against the partnership as a whole, and only if this process fails can they then turn to claim against a partner for the debts of the partnership.

There is no minimum capital required to form an Albanian general partnership. As 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 at the bylaws filed at the NRC, all of the partners are considered to be administrators of the partnership.

The partnership is dissolved upon the death, bankruptcy, loss of a business licence or incompetence of a partner. Notwithstanding, there are circumstances where continuity can be provided in the partnership statute. The partnership must file annual financial reports.

LIMITED PARTNERSHIPS (*SHOQËRI KOMANDITE*)

The limited partnership has both general and limited partners. In a limited partnership, limited partners are liable for partnership obligations only to the extent of their investment, while general partners have unlimited liability for partnership obligations.

Law no. 9901 sets forth special provisions defining the rights and obligations of limited partners. These provisions specify that limited partners are entitled to receive financial reports at least twice yearly. However, limited partners may not participate in the administration of the entity. If a limited partner takes part in the management of the partnership, he/she may incur unlimited liability.

In the articles of incorporation of a limited partnership, the total amount or value of the contributions of partners should be specified, as well as the amount or value made by each partner and the percentage of the participation of the partners in the profits of the company.

In contrast to general partnerships, the death of a partner does not immediately dissolve a limited partnership.

LIMITED LIABILITY COMPANIES (*SHOQËRI ME PËRGJEGJËSI TË KUFIZUAR – SH.P.K.*)

The limited liability company (Sh.p.k.) is the most common legal entity chosen by entrepreneurs entering the Albanian market. It is flexible and appropriate to a start-up business. To create a limited liability company requires a minimum initial capital of only ALL 100 (approximately USD 0.9 or EUR 0.75). It can be established by one or more partners, natural or legal persons, who will be responsible only to the extent of their contributions to the company's capital. The contributions can be in cash or any other assets, although contributions in services are not permitted.

Decisions regarding the overall management of the company are made by the partners general assembly, and day-to-day management is conducted by administrators, who are appointed by the partners general assembly. Administrators don't need to hold shares in the company.

The law requires annual financial reports, and limited liability companies with revenues above a certain limit are required to appoint certified public accountants to prepare financial reports.

Limited liability companies may be transformed into partnerships or joint stock companies. However, only the company's general assembly can take this decision upon a three-quarters majority and approval of the last two annual financial statements.

JOINT STOCK COMPANIES (*SHOQËRI AKSIONARE – SH.A.*)

An Albanian joint stock company (Sh.A.), unlike a limited liability company, has the option to make public offerings of its shares. A joint stock company must be founded with a minimum initial capital of ALL 10 million (approximately USD 91,000 or EUR 75,200) if it intends to offer its shares for sale to the public or ALL 2 million (approximately USD 18,180 or EUR 15,050) if it does not have such intention. The capital is divided in shares and shareholders are responsible for losses only to the extent of their contribution. At least a quarter of the nominal value of the shares representing contributions in cash and the totality of contributions in kind should be paid at the moment of the subscription of the capital; the management structures of the company will decide upon the payment of the remaining amounts.

Major strategic decisions are generally taken within the general assembly of shareholders, which makes decisions at regular and extraordinary meetings. Only in the context of an extraordinary meeting may the shareholders amend the company's bylaws. The management system of a joint stock company may be of two kinds: monistic or dualistic. Those companies which choose the monistic management system have a board of directors and administrators which have both supervising and management functions. Those companies which choose the dualistic management system have in addition to the board of directors and administrators, a supervisory board, which holds the supervising functions. The board of directors is charged with taking all basic management decisions in accordance with the bylaws of the company. It is supervised by the council of supervisors, which has from three to 21 members.

A joint stock company may issue different classes of shares, subject to the limitation that all shareholders must have the right to vote according to their shares at meetings of the general assembly.

BRANCHES AND REPRESENTATIVE OFFICES

Apart from the aforementioned types of companies, a foreign investor may prefer to establish a branch or representative office in Albania.

Both branches and representative offices have the same legal personality as the mother company. Branches are organised and administered separately; they carry out activities with third parties, in the company's name. Alternatively, the purpose of a representative office is not to create income, but to stimulate the company's activity; these offices may sign agreements in the name of and on behalf of the company.

Many foreign investors operate successfully in Albania through branch offices. The old procedures for the establishment of a branch or representative office were quite long and rigid, but the new Law on Commercial Companies makes it much easier. The branch or representative office must be registered with the National Registration Centre (QKR); several documents must be presented, concerning the branch or representative office itself as well as the mother entity establishing it (see section below on Registration). The office is administered by a legal representative empowered by the head office.

JOINT VENTURES (*SHOQËRI E THJESHTË*)

Albanian law does not explicitly address the treatment of joint ventures between private parties. Joint ventures are foreseen by the civil code and the Albanian legislation uses the term 'simple company' for referring to them. Joint ventures are based on an agreement, concluded by two or more persons, physical or judicial, who agree on engaging in an economic activity. Joint ventures do not receive a legal personality; two companies may decide to create a new corporate entity for their joint venture and register it (under one of the explained forms). Alternatively, two companies may agree by contract to start a joint enterprise without registering or creating a new corporation; the activity would then be carried out through the two entities, rather than through a new corporation (a joint venture).

As a practical matter, those considering a joint venture with a local partner should carefully determine beforehand the expectations of the parties concerning the investment. It is also recommended that the foreign investor negotiates a dispute resolution mechanism (ie an arbitration clause) in the joint venture agreement.

COMMERCIAL COMPANIES REGISTRATION (QKR)

The law on the National Business Registration Centre (QKR) (www.qkr.gov.al), approved in 2007, changed business registration from a court-administered judicial procedure requiring several days and numerous administrative steps to a new streamlined administrative process (one-stop shop).

Starting a business became easier with online publication, reduction of the registration cost and the consolidation of tax, health insurance and labour registration into a single application.

Economic activities such as tourism, construction, telecommunications, fuel trade, radio and broadcasting, fishing, medical products etc. require a trade licence. Law no. 10081 'For licences, authorisations and permits in the Republic of Albania', dated 23 February 2009, provides for the establishment of a one-stop shop licence centre, which has facilitated the procedures.

REQUIRED DOCUMENTATION BY THE NATIONAL REGISTRATION CENTRE (QKR)

- 1) Articles of Incorporation and bylaws signed in the presence of a notary public, which should contain the name of the company, the registered seat of the company, the objective/s of the company, the initial capital, the duration of the company (which in Albania can be unlimited) and the name of the shareholder/s, and administrators or directors
- 2) Filled-in application form (QKR) and filed by the legal representatives of the company (or authorised person with a power of attorney).

REGISTRATION OF A BRANCH OR REPRESENTATIVE OFFICE

When registering a branch or representative office, the QKR requires, in addition to the abovementioned, the following documents:

- 1) Filled-in application form and filed by the representative of the branch (or representative office) or the parent company or authorised person with a power of attorney
- 2) Articles of incorporation and bylaws of the parent company (and eventual amendments)
- 3) No longer than a 90 days extract issued by the Chamber of Commerce where the mother company is registered. This document must show:
 - That the parent company is regularly registered with the commercial register or analogue
 - That the parent company isn't subject to dissolution or bankruptcy
 - The composition of the managing structures of the mother company
- 4) The resolution of the board of directors of the parent company which decides on the creation of the branch or representative office in Albania and which namely appoints a legal representative of the branch or representative office
- 5) Auditor's report and financial statement(s) of the parent company's last financial year.

TYPICAL COSTS TO ESTABLISH A COMMERCIAL COMPANY

According to the Albanian fiscal legislation when registering with the local tax office, the new company should pay the following taxes:

- Corporate income tax: 15% flat rate
- Cleaning tax: ALL 6,000 –200,000 (equivalent to EUR 45–1,504) annually
- Green tax: ALL 5,000–440,000 (equivalent to EUR 37.5–3,309) annually
- Sign (visibility) tax: ALL 1,000–3,000 (equivalent to EUR 7.50–22.50) annually, and
- Property tax: Variable – ALL/m², applied to any real estate owned by the company (if any) annually.

The new company should declare with the labour office the person/s employed or to be employed:

- Service tariff: ALL 1,000 (equivalent to EUR 7.30)

The company should register with the Chamber of Commerce:

- Annual fee: ALL 20,000 (equivalent to EUR 146).

The total notary and administrative costs for the establishment and registration of a new company with the Commercial Registry will be approximately ALL 17,000 –20,000 (equivalent to EUR 125 –150), while the translation fee will be 5–10 Euro per page.

PUBLIC PRIVATE PARTNERSHIPS

Public private partnerships (PPP) are commonly employed by the Albanian government in order to finance public projects. The major legal instruments of PPP are leasing, royalties, copy rights, public procurement, joint-ventures and concessions.

PUBLIC PROCUREMENT

Public procurements in Albania are conducted electronically through a special website (www.app.gov.al). Companies may create a joint venture in order to submit a bid for a public procurement. Sub-contracting of works and/or services by the winner should not exceed 40% of the contract value.

The Agency of Public Procurements oversees public procurements and has several specific tasks such as:

- Consulting with the contracting authority and the bidders on the legal framework of public procurements
- Administering the on-line publication of the tenders
- Annuling the decisions of the contracting authority when they are in violation of the law
- Taking legal initiatives to improve the legal framework of public procurements etc.

The Procurements Advocate is an administrative body that investigates, either on its own initiative or based on claims from other parties, irregularities of procurement procedures and refers its findings to the Agency of Public Procurements and to other competent authorities.

The legal framework of public procurements provides for an administrative review of the decisions of the contracting authority and for an investigation procedure conducted by the Agency of Public Procurements. Interested parties may present their claims in front of the district court of Tirana.

NOT-FOR-PROFIT ORGANISATIONS (NPO-OJF) OR FOUNDATIONS

Not-for-profit organisations in Albania are covered under Law no. 8788 'On not-for-profit organisations', dated 7 May 2001. This defines not-for-profit organisations as any association, foundation and centre which performs an activity which is independent from states' organs and interests (art.2 and 6) and where as a not-for-profit activity, an economic or non-economic one, is conditioned by the obligation for the ownership and revenues of an organisation to be exclusively spent for the realisation of the organisation's objectives, as set in its bylaws.

Any legal or natural, national or foreign person is entitled to establish, be a member of, or participate in any of the NPO's activities or organs (art. 5). According to their form of organisation, NPOs can be with or without membership – the first type are associations, while the second are foundations and centres.

According to Law no. 8788 of 2001, NPOs, without the need to establish a commercial company, may exercise economic activities in order to fulfil their not-for-profit objectives (article 36). In cases where an NPO realises a profit, these profits are required to be used for the organisation's purpose only.

According to article 42 of Law no. 9920 'On the tax procedures in the Republic of Albania' dated 19 May 2008, NPOs are obliged to register with the Albanian tax authorities upon conclusion of registration with the register by the Tirana district court.

5 – LABOUR

EMPLOYMENT AND LABOUR LAW

INTRODUCTION

Albania's population of just over three million people includes a working population of slightly more than two million. The median age is young by European standards, 35 years old.

A high proportion of the under-40s speak two languages. Foreign language training begins early in elementary education and continues through high school and university. Albanian young people are generally skilled in Italian (and also Greek) thanks to the influence and vicinity of both countries. Italian and English are common among the younger generation and have become the dominant foreign languages taught in the Albanian education system.

LEGAL FRAMEWORK

Labour relations between employees and employers are regulated by individual employment contracts pursuant to Law no. 8549, dated 11 January 1999, and the Labour Code, which was adopted in 1995 and last updated December 2008. In addition, Law no. 7703 'On Social Insurance in the Republic of Albania', dated 11 May 1993, as amended and other normative acts apply.

The National Council of Labour has been established and is composed of government officials, trade unions and employer's associations. It has completed a draft proposing a 'Social Understanding Pact', which has the main goal of improving social dialogue between the government, management and employees.

Albania adheres to all basic international labour organisation conventions protecting employees' rights.

TYPES OF EMPLOYMENT CONTRACTS

Employment contracts can be for a fixed duration or an indefinite period of time, but as a general rule employment contracts are signed for an indefinite period of time if the duration is not specified in the contract. A labour contract may be concluded verbally or in writing.

The employee can perform overtime work, but the overtime work per week must not exceed ten hours. Therefore, the maximum number of working hours per week is 50. Compensation for overtime work is 50% more than the salary applicable for normal working hours during normal working days; for overtime work performed during public holidays or weekends, the compensation salary is 100% more.

According to Article 12 of the Albanian Labour Code, the employment contract is an agreement in between the employer and the employee which regulates their mutual relations and sets their mutual rights and duties.

Albanian law recognises:

- The group employment contract, which is a contract made between an employer and a group of employees as a whole, even if the first is considered as 'separately' engaged towards every employee

- The part-time employment contract, which is the standard part-time contract used internationally, where the employee works a certain amount of hours or days, but in any case for less than the normal working schedule of the other employees who work full time and under the same terms. The part time employee has the same rights, proportionally, as the other full-time employees
- The home working employment contract is a contract which ‘imposes’ that the employee should work at home, or in another place accepted by the employer, alone or helped by his/her family. The employee working at home has the same rights as the employee working at the enterprise’s place of residence
- The commercial agent employment contract is a specific contract in which the commercial agent (employee) has the obligation to negotiate or conclude an agreement outside of the enterprise, on behalf of and as per the orders of the employer. A person who performs an activity independently is not considered to be a commercial agent
- The professional training employment contract is a contract in which the ‘teacher’ helps the ‘student’ to qualify according to the professions’ rules and the ‘student’ works for the ‘teacher’ in order to qualify.

PROBATIONARY PERIOD

With individual employment contracts for an indefinite period of time, the first three months of work are considered a probationary period. A probationary period may not be imposed in cases where the parties have entered into an agreement to perform the same work previously. During this period, any of the parties may terminate the contract with at least five days written notice.

TERMINATION OF THE EMPLOYMENT CONTRACT

After the probation period, when the employer decides to dismiss an employee, he/she must notify the employee in writing at least 72 hours before inviting them to a meeting. This meeting must be held to permit to the employer to discuss with the employee the reasons for the termination and to give the employee the possibility to express their opinion. Notice of termination is provided in writing within 48 hours to one week after this meeting. During this procedure, the employer may suspend the employee. In this case, parties retain all rights and obligations stemming from the labour agreement.

Notice to terminate a contract must be provided one month in advance during the first year of work, two months for the second year through to the fifth year of work and three months after more than five years of work. The parties may agree in writing upon a different notice period, provided that it must not be less than two weeks for the first six months of work and one month if the employee has worked more than six months. In cases where one of the parties terminates the contract without respecting the notice period, the termination will be considered as a termination with immediate effect. The notice period is suspended during any illness or pregnancy period.

Where contracts are for a definite duration, these contracts terminate at the end of their term without any preliminary notification needed. If tacitly the employment relation continues, the contract is considered to be extended with unlimited duration. According to the law, after three years maximum of uninterrupted contracts with a determined duration, the employer’s refusal to renew the contract is considered as termination of a contract of indefinite duration.

TERMINATION FOR JUST CAUSE

The employer and the employee may, at any time, terminate the contract immediately for just cause. The employer may dismiss an employee for just cause only when the employee acted in a grossly negligent manner, especially when he/she repeatedly violates the discipline and instructions, in spite of the warning of the employer. There are certain procedures determined by the Albanian Labour Code.

TERMINATION WITHOUT A JUST CAUSE

The court can decide whether a cause existed to terminate an agreement. In cases where the employer terminates an employment agreement without just cause, the employee has the right to file a lawsuit with the court against the employer within 180 days from the date the notice period for termination has expired. The employer who has terminated the employment agreement and failed to prove just cause can be ordered by the court to indemnify the employee with up to one year's wages and provide the salary the employee should have received during the notice period.

TRADE UNIONS AND COLLECTIVE CONTRACTS

The right of employees to form trade unions is explicitly provided for by both the Labour Code and the 1998 constitution, which, among other rights, guarantee the right to strike. Members can be employees, pensioners and unemployed persons. At least twenty persons are required to form a trade union. Trade unions can be organised in federations and confederations. The bylaws of a trade union should be deposited with the Ministry of Labour, Social Affairs and Equal Chances.

Collective contracts are permitted between one or more employers on one side and one or more trade unions on the other. A union's collective representation of employees should be formed on the basis of a decision taken by the majority of employees. Once signed, the collective contract binds all employees regardless of whether they are or are not members of the trade union.

When an employer transfers a business, the transferee is bound by the contract for its duration. When a dispute arises, both the employer and the employee have the right to go to a reconciliation office or to court. The reconciliation office is a special institution focusing on alternative dispute resolution.

EMPLOYMENT TAX AND SOCIAL INSURANCE

The 1998 constitution provides explicitly that every citizen has the right to social insurance during old age, when he/she is unable to work or is jobless for reasons independent of his/her volition, under the conditions provided by law. In particular, the Labour Code reaffirms the employer's general duty to withhold both individual income taxes and social and health insurance contributions. However, the specific withholding requirements are defined in various laws, which establish in detail the taxes and contributions of social insurance. The taxes and contributions must all be reported and paid on a monthly basis. According to Law no. 7703/1993 'On Social Security in the Republic of Albania' and Law no. 7870/1994 'On Health Security in the Republic of Albania' as amended, employers and employees are required to make compulsory contributions to the social and health care security system.

The minimum wage in Albania is ALL 24,000 (EUR 180) per month, or 174 working hours per month. This is a new level of minimum salary, accorded by the Decision of the Council of Ministers no. 399, dated 3 May 2017.

Law No. 10 237 'On health and safety in the working place', dated 18 February 2010, introduces an obligatory insurance concerning harm and damages during work hours.

For further information concerning employment tax, please refer to section 6 'Taxation'.

FOREIGN WORKERS IN ALBANIA

According to Law no. 9959 'On foreigners', 2008, foreign workers and entrepreneurs who intend to operate in Albania, must hold both a residence permit and a work permit, which are issued by the competent authorities. The law provides for a fine in cases where foreign citizens reside or work in the Republic of Albania without permission.

Foreign citizens who exercise their activity in Albania, such as entrepreneurs, employers, employees, consultants and professionals, shall hold a work permit. The work permits are issued to foreign citizens by local authorities or by the Ministry of Labour and Social Issues, subject to the submission of a series of documents set out in Law no. 9959 and the respective decisions of the Council of Ministers.

To obtain a residence permit, a number of documents are required, the work permit being the most important. Other documents may be mandatory in specific cases, including among others:

- Authorisation to conduct humanitarian or religious activities
- Documentation proving the status of a refugee
- Family status certificate demonstrating a relationship with an Albanian citizen
- Documentation proving the status of foreign student in Albania.

RESIDENCE PERMIT FOR WORK REASONS

According to Law no. 9959, a residence permit following a work permit is issued after the submission of the following documents:

- 1) A written request of the applicant, where he/she specifies the reason for coming to the country and the exact address of residence in Albania
- 2) The passport used by the applicant to enter Albania, as well as photocopies of the following documents, duly notarised:
 - Passport pages which contain important information (the page which contains the picture and general details of the holder)
 - Passport page which contains the date of limit of validity of the passport
 - Albanian visa
 - Stamp of entrance in Albania.
- 3) Criminal certificate (no older than three months) issued by the responsible authority of the country of origin for the applicant or of the country of legal residence of the last six months. This document must be legalised by the Albanian consular office which delivered the visa of the applicant, and by the Legal Consular and Treaties Directory in the Ministry of Foreign Affairs. Or, it must have the seal apostil for those countries which have signed with Albania a memorandum
- 4) Letter by the consular office of the country of origin or the police Department
- 5) Rent contract

- 6) Family certificate, translated and notarised
- 7) Two photos 3.5 x 4.5
- 8) Financial guaranty/ies, such as:
 - Notarised photocopies of the legal documents which permit the undertaking of an economic activity (licence, NIPT, registration at NRC, work permit), bank guaranties etc.
- 9) Certificate by the employer and work contract
- 10) Medical report.

EXEMPTION FROM THE WORK PERMIT REQUIREMENT

The law provides that certain categories of foreign citizens are exempt from the work permit. These are, in particular, the following:

- Representatives of the diplomatic representative offices of international organisations with a diplomatic status, as well as employees of these representative offices
- Representatives of not-for-profit governmental organisations
- Executive directors and important employees of foreign companies who carry out an activity or have the intention to carry out an activity in Albania
- Employees and other professionals of a foreign company, who work for the company branch or affiliate in Albania
- Specialists in the framework of bilateral and multilateral agreements
- The staff of inter-border human and goods transportation
- Lecturers, members of scientific staff, university professors, scientific staff members of private scientific organisations, if there is a public interest given their particular knowledge
- Representatives of mass media, correspondents or reporters who are employed by a foreign employer
- University students taking part in a summer exchange based on respective agreements.

In addition to the persons indicated above, non-resident foreign citizens employed by a foreign corporation and carrying out certain activities for not more than six months in one of the following areas, are exempt from the work permit requirement:

- Negotiating in the name of a foreign company, concluding an agreement or taking care of a fair sector
- Working in the transportation field
- Installing machinery or constructions delivered by a foreign corporation, performing service and machinery repairs, as well as training Albanian or foreign employees for their activities
- Undertaking the training for the use of machinery, construction or other objects which are bought by another foreign company.

In cases where the rules concerning work permits are violated, sanctions are applied.

PERSONAL DATA PROTECTION

Protection of personal data in Albania is regulated by Law no. 9887 'On the protection of personal data', dated 10 March 2008.

Personal data refers to any information on a natural person, identified or identifiable. Elements through which a person can be identified, directly or indirectly, are identity numbers or other natural, psychological, economic, social, cultural or other factors. Lawful processing of personal data should respect and guarantee fundamental rights and freedoms, and in particular, the right of protection of privacy.

Personal data are processed only:

- If the subject of the personal data has given their approval
- For drafting and compiling agreements where the subject of personal data is a contracting party
- To protect vital interests of the subject
- To execute a legal obligation of the controller
- To execute a legal obligation of public interest or execute a competence of the controller or third party, whose data are spread
- To follow the legitimate interest of the controller or third party whose data is spread, but not when these interests prevail over the interests for data protection of the rights and fundamental freedoms of the subject of the data.

Processing of personal data, in the framework of prevention and prosecution of criminal offences, perpetration of a criminal offence against the public order or other criminal offences, and national security and defence, are carried out by the authorities that are sanctioned by law.

The law prohibits the processing of data that reveals racial or ethnic origins, political views, membership in trade unions, religious or other beliefs, convictions for criminal offences, and information on the health or sexual life of a person. Processing of such sensitive data is permitted in very specific cases listed in detail by the law. Strict obligations apply to data controllers and data processors under penalty of strong administrative sanctions.

6 – TAXATION

LEGAL FRAMEWORK

Since 1995, following the process of the opening and liberalisation of the market, the Albanian government, supported by the IMF, European Union, the Treasury Department of the United States of America and other organisations, has adopted a series of tax laws.

Currently, the legal framework regulating the tax system in Albania is based on:

- Law No. 9975 'On the national taxes' dated 28 July 2008 and subsequent amendments
- Law No. 9632 'On the local taxation system' dated 30 October 2006 and subsequent amendments
- Law No. 8438 'On the income tax in the Republic of Albania' dated 28 December 1998 and its subsequent amendments
- Law No. 92/2014 "On the Value Added Tax" effective on 1 January 2015
- Law No. 8976 'On the excise duty' dated 12 December 2002 and subsequent amendments
- Law No. 9920 'On the tax procedures in the Republic of Albania' dated 19 May 2008 and subsequent amendments.

Electronic declaration is obligatory from January 2011.

TAX ON PROFIT

The Law No. 8438 'On the income tax in the Republic of Albania' (Law 8438), dated 28 December 1998 and subsequent amendments which came into force on 21 January 1999, has substantially changed the tax system.

Law 8438 governs direct taxes on natural and legal persons.

Liable to the tax on profit are:

- Companies, corporate groups, consortiums and institutions
- Albanians and foreigners who conduct a business in Albania – all those that are subject to value added tax payments ('legal persons').

Law No. 8438 establishes the criterion of territoriality i.e. all sources of income are taxable, even if sourced abroad. Subject to income tax are legal persons having their headquarters (residence) in Albania, as well as legal persons not resident in Albania, but still having sources of income produced in Albania. A legal person/entity is considered as a resident where they have a registered office or place which has the effective management of their affairs in the country.

The tax rate applicable to taxable profit for taxpayer's subject to simplified tax on small business income, with annual turnover of 5 (five) to 8 (eight) million lek, is 5%.

The simplified profit tax for taxpayers with an annual turnover of 0 (zero) to 5 (five) million ALL is 0 (zero) ALL per year.

For all other companies, the tax on profit is 15%.

Law 8438 introduced a list of non-deductible expenses. Items which cannot be deducted – among others – are:

- Costs inherent to the acquisition, improvement, renovation and reconstruction of depreciable assets
- Payments for voluntary social security contributions
- Capital increases
- Corporate dividends
- Interest on loans that exceed the average rate declared by the Bank of Albania
- Sponsorships that exceed 3% of income before tax and book sponsorships that exceed 5% of untaxed income
- Personal consumables, gifts or fines
- Arrears and penalties
- Pay and any other form of compensation related to employment, payment of which is not made through the banking system etc.
- Any other expense that is not documentable.

The tax on dividends distributed by companies, consortiums or groups of companies that have their headquarters or that actually manage their economic activity in Albania is not applied in respect of persons that:

- Are subject to VAT
- Own no less than 25% of the shares/quotas or of the right to vote and not less than 25% of the initial share capital of the company, consortium or group.

Tax authorities have discretionary powers to redefine the tax to be paid (in advance) if they believe the current year's profits are higher by at least 10% over the period of reference. Tax evasion and false accounting are punished with a fine equal to 100% of the difference between the owed and the stated amounts.

[Amendments to the Law no. 8438, dated 28.12.1998 "On Income Tax" - Law 105/2017 dated 30.11.2017](#)

Exclusion from the tax on the profitability of accommodation structures "4 and 5 star hotels, with special status"

Starting from 01.01.2018, "Hotel with 4 and 5 stars, with special status" as defined in the legislation of the field of tourism and who are the bearers of an internationally registered and internationally recognized trademark are excluded from the profit tax (brand name), for a period of 10 vicars (from the start of the activity), which benefit from special status until December 2024.

Reduction of the profit tax rate for companies that produce / develop software
Companies that produce / develop software will be subject to a reduced profit tax of 5% from 01.01.2018 (from 15% applicable until 31.12.2017).

PERSONAL TAXATION

Since January 2014, the tax on personal income from employment was shifted back to a progressive taxation system (as it used to be before 2007).

Personal tax has the following brackets for a monthly gross salary:

Up to ALL 30,000	0%
From ALL 30,001–130,000	13%
Above ALL 130,000	23%

(ALL = National currency LEK)

The following are required to pay tax on their entire income:

- Residents
- People treated as residents.

Non-residents are subject to tax only on income earned in Albania.

On other income subject to taxation, for which there are no specific law provisions, a 10% flat tax rate applies.

VALUE ADDED TAX (VAT)

The introduction of VAT was approved by the Albanian Parliament in April 1995 and entered into force on 1 July 1996. This law was substituted by the current Law no. 92/2014 “On the Value Added Tax” effective on 1 January 2015.

Significant efforts were made to narrow down the differences of the previous law with the European Laws in the new Law.

According to current requirements all legal and natural persons performing taxable supplies that have an annual turnover exceeding ALL 5,000,000 are subject to pay VAT.

Taxpayers are required to register within the first 15 days of the start of their economic activity. Natural persons and legal entities operating in the import/export industry are required to register regardless of the amount of their annual turnover. A special office dedicated to VAT registration operates in each district tax office.

According to the Decision of the Council of Ministers No. 18 dated 12 January 2011, natural persons or legal entities which exercise liberal professions (as defined by law) such as lawyers, accountants, architects, doctors etc, are always subject to VAT, no matter their annual turnover.

The VAT rate is 20%. The taxable amount is the value of provided goods and services excluding VAT. The taxable amount of imported goods includes transportation costs and insurance, import costs, taxes, duties or tariffs.

Law No. 92/2014 states that VAT is equal to 0% in some cases, including:

- Exports of goods outside Albanian territory
- Services performed outside the Republic of Albania by a person whose place of business or place of residence (if individual) is located in Albania
- Provision of goods or services relating to international carriage of persons or property
- Provision of goods or provision of services relating to commercial or industrial shipping.

Under certain circumstances, the fiscal authorities make a discrete assessment of the VAT payable amounts and give written notice to the taxpayer. A taxpayer wishing to contest the amount of such obligations shall, in any case, first pay the disputed amount and only then, within 30 days from the date of notice's receipt, present their case in front of the Taxes General Directorate. This body will inform the applicant, through a written reply, about whether their application has been accepted or rejected.

Law No. 92/2014 grants to taxpayers who export goods, the right to request a VAT refund in cases of a credit higher than ALL 400,000 (EUR 3,300) for three consecutive months. The tax credit will be repaid by authorities within 60 days of the taxpayer's request.

[Amendments to the Law no. 92/2014 "On VAT" - Law no. 107/2017 dated 30.11.2017](#)

[The minimum registration limit for value added tax](#)

From April 1, 2018, the minimum limit of minimum VAT registration is the turnover of ALL 2,000,000 (two million) in a calendar year, except as follows:

- Taxable persons, who provide services in economic activities by professions such as lawyer, notary, specialist doctor, dentist, specialized dentist, pharmacist, nurse, veterinarian, architect, engineer, physician, projector, economist, agronomist, registered accounting expert, approved accountant and asset value, regardless of annual turnover, the minimum VAT registration limit is zero and all are taxable persons registered for VAT.
- The minimum registration limit for value added tax, for agricultural producer's subject to special regime, compensation scheme for agricultural producers, is the turnover of ALL 5,000,000 (five million) in a calendar year.

[Reduction of VAT rate for all services rendered by Hotels "5-star hotels / resorts, of a special status"](#)

Starting from 01.01.2018, for all services rendered inside the premises of the accommodation structures (e.g. Hotels) "5 star hotels and resorts", which are members of a brand name that is registered and internationally recognized as such, will apply a reduced rate of VAT at 6% (instead of 20% previously).

All other Hotels which are not "5 stars or holding a special status" will apply 20% VAT for all their services except the accommodation services for which the VAT is 6% since 05 June 2017.

EXCISE TAX

[Legislation on excise duties was entirely repealed and replaced by a new regulatory measure, Law No. 8976 'On excise duty', dated 12 December 1998.](#)

This law has been supplemented by Law No. 9041 dated 27 March 2003 and more recently amended by Law No. 9136 dated 27 December 2003, Law No. 9328 dated 6 December 2004, Law 9598 dated 27 July 2006, Law No. 9714, 9765 and 9854 of 2007, Law No. 9954 dated 26 July 2008, Law No. 10067 dated 2 February 2009 and Law No. 10147 dated 28 September 2009.

Excise duties apply to a limited number of products for mass consumption, in particular, tobacco and its derivatives, petroleum, alcoholic beverages, soft drinks and coffee, as well as perfumes and deodorants.

For tobacco and tobacco products, the applicable rate ranges from ALL 40–2500/kg, for alcoholic beverages and liqueurs excise duty ranges from ALL 20–400/litre, while for non-alcoholic beverages the excise rate is equal to ALL 2/litre. Excise duty applicable to coffee ranges from ALL 50–250/kg and for petroleum products from ALL 0–50/litre. If goods are imported, the tax is calculated on the customs value plus customs duties.

[Amendment to Law no. 61/2012 "On Excise" - Law 108/2017 dated 30.11.2017](#)
From 01.01.2018, the following changes to the excise tax rate are effective:

- For the product "Tobacco and its by-products" increases the excise rate from 5,750 lek / 1000 piece at 5,850 lek / 1000 pieces;
- The "Energy Drink" product is no longer subject of excise tax (until 31.12.2017 the excise rate for this product was 30 lek / liter);
- For the "Bituminous Sand" product, the excise tax rate is 2 lek / kg (until 31.12.2017 this product was not subject to excise);
- For the product "Nicotine juice for filling of electronic cigarettes", the excise rate is 10 lek / ml (until 31.12.2017 this product was not an excise subject).

Importers and manufacturers of cigarette paper included in the nomenclature code 4813 1000 should obtain authorization from the General Directorate of Customs.

OTHER TAXES

Because of economic policy choices and distribution of revenues from the collection of taxes and charges to both the central and local governments, a distinction is made between taxes applicable at the national and local level in the Albanian tax system.

In recent times, the fiscal policy has been characterised by a particular focus on decentralisation, with a particular strategic importance placed on the development of local economies.

NATIONAL TAXES

The recent Law No. 9975 'On national taxes' dated 28 July 2008 determines the taxes applicable at national level and regulates their collection.

National taxes are:

- Port taxes
- The annual circulation permit for vehicles
- The environmental tax, which consists of:
 - Import duty for used vehicles
 - Carbon tax on gasoline, benzene and diesel
 - Rates on plastic bags for liquids produced locally or imported
- Taxes and mining royalties
- Tax on transactions and stamp duty
- Fees for registration of gambling, national lotteries, sports betting and casinos

- All taxes on fishing activities.

LOCAL TAXES AND FEES

Law No. 9632 'On the local tax system', as recently amended by Law No. 10 146 of 28 September 2009, regulates the tax payable to the local tax authorities.

According to this law, local taxes are considered to be:

- Tax on real property (buildings and agricultural land)
- Hotels tax (5% on the price paid by the customer overnight)
- Tax on infrastructure for new construction (1–4% of the investment)
- Tax on transfer of ownership
- Registration fees for vehicles
- Fees for public spaces use (monthly fee calculated on the basis of area occupied)
- Charge for labels and signs with the Company Logo
- Cleaning and sanitation
- Temporary taxes.

Tax on buildings is calculated based on the surface area of buildings and is charged annually. Rates vary depending on the district where the building is situated. For example, for the districts of Tirana and Durres the following tax rates apply:

- Buildings for commercial use ALL 200/m²
- Housing ALL 15–30/m²
- Other ALL 50/m².

The tax on agricultural land is calculated based on the land held by the owner. This tax is annual and varies depending on the category of land and the location of the land itself. For the districts of Tirana and Durres fees range from ALL 1,800–5,600/ hectare.

For the tax on transfers of real property, the tax is payable by the seller of the property and is a necessary condition for proceeding with the registration of the property with the Real Estate Registration Office. The tax on the transfer of real estate property is generally equal to 2% and is calculated on the selling price.

[Amendments to the Law no. 9632, dated 30.01.2006 "On the Local Tax System" - Law 104/2017 dated 30.11.2017](#)

Building tax

The law provides for the change of the tax base and the rate of immovable property tax only for the category of buildings.

The taxable base for the implementation of the building tax will be the value of its market (formerly it was

surface, corrected by location, age and purpose of use). The methodology for calculating the market value of a building will be determined by a decision of the Council of Ministers.

The tax rate of the building applicable on a taxable basis shall be:

- 0.05% for the building used for housing;
- 0.2% for the building used for business;

- 30% of the respective tax rate for the entire construction site for which the developer is equipped with a construction permit and failed to complete it according to the deadline set in the act approving the request for a construction permit.

Establishment of the Fiscal Cadastre - In order to administer the immovable property tax, the central register of the real estate database or otherwise called Fiscal Cadastre will be created, which will be managed by the General Taxation Directorate of Assets, which will be an institution under the Ministry of Finance.

Exceptions to the building tax.

The following categories have been added to the list of building tax exemptions:

- Residential buildings of head of households that benefit from old-age or social pension residing in a village or city, when the family consists only of pensioners;
- Residential buildings of household heads treated with economic aid;
- Social housing owned by municipalities or in their use for this purpose in agreement with the respective owners;
- cultural buildings under protection under the legislation in force for cultural monuments and / or cultural heritage;
- Accommodation facilities "5-star hotel, special status" according to the definition in the field of tourism and who are the bearers of an internationally registered and branded trademark.

Tax exemptions on infrastructure impact

Excluded from the infrastructure impact tax are the investments made for the construction of the "5 Star Hotel, Special Status" accommodation as defined in the tourism legislation and who are the bearers of an internationally registered and branded trademark.

Complaints

Each Local Unit (Municipality) will establish the local tax appeal structure. Each taxpayer will have the right to address this structure to appeal the decisions or actions of the local tax office.

Further, the taxpayer has the right to appeal to the court against the decision of the tax appeal structure in the municipality. (Previously the decisions of the local tax office were filed with the mayor).

SOCIAL SECURITY CONTRIBUTIONS

According to Law No. 7703 'On social security of the Republic of Albania' dated 11 May 1993 and Law No. 7870 'On the health insurance in the Republic of Albania' dated 13 November 1994 as well as their respective amendments, employers and employees are required to pay mandatory contributions for social security and health care.

Mandatory contributions cover the following risks and/or the following situations which may affect the employee:

- Temporary inability to work due to illness
- Maternity leave
- Old age
- Accidents at work and occupational diseases
- Unemployment.

The basis of the contribution is constituted by the minimum and maximum monthly salary established by a decision of the Council of Ministers.

For the purposes of calculating social security contributions, the minimum monthly wage is set at ALL 24000 (approximately EUR 180) and the maximum monthly salary is set at ALL 105 850 (approximately EUR 800).

Under the legislation in force, the employer must pay each month for each employee (except for small firms which pay every trimester) at the Institute of Social Security, a total contribution equal to 27.9% of the salary income received by the employee.

The overall rate of contributions is split between the employer at 16.7% and the employee at 11.2%. The contributions of an employee are deducted from their salary and paid by the employer.

INTERNATIONAL AGREEMENT ON DOUBLE TAXATION

There are 29 agreements currently in force between Albania and other countries which aim to avoid double taxation.

These include agreements with Austria, Belgium, Bulgaria, China, Croatia, Greece, Hungary Italy, Malaysia, Moldova, Montenegro, Poland, Romania, Russia, Serbia, Turkey etc.

7 – ACCOUNTING & REPORTING

ACCOUNTING, BUDGET AND AUDIT CONTROL

Law No. 9228 ('Law 9228') 'On accounting and budgets' dated 24 April 2004 and as amended by the repealing Law No. 7661 dated 19 January 1993, is currently the legislative framework governing accounting regulations.

According to Law 9228, all economic and non-economic entities (e.g. non-governmental organisations) established in Albania, including institutions of credit/finance and subsidiaries, regardless of their legal form, are required to keep accounts in accordance with the principles and methods set by the Accounting National Council. Micro-enterprises are explicitly excluded.

Accounting records are written in Albanian – in paper or electronic version – and the applicable currency is ALL. These must be justified by supporting documentation, which will be preserved along with the accounting records for the next ten years after the closure of the financial year.

Law 9228 also provides for an obligation to conduct an inventory of assets, liabilities and owned capital at least once a year.

The business year lasts for 12 months, starting from 1 January and ending on 31 December each year.

AUDIT

According to Law No. 9901 'On entrepreneurs and commercial companies', dated 14 April 2008, amended on 28 April 2016, it is solely the responsibility of companies to submit their accounting records and any related documentation for audit.

According to its article 41 the following entities must have a statutory audit:

1. All entities which apply the IFRS, regardless of their business size
2. All entities which their legal form is Joint Stock Company
3. All limited liability companies which for two years in row meet two from the following conditions:
 - a. The total of assets is higher than AL 50 Million (376,000 euro)
 - b. Total of annual turnover is higher than AL 10 Million (75,200 Euro)
 - c. The number of employees is more than 30

8 – UHY REPRESENTATION IN ALBANIA

CONTACT DETAILS

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 Rr. Ibrahim Rugova
 P17, H3, Apt.12 (3rd floor)
 Tirana
 Albania
 Tel: +355 4 223 7199
 Fax: +355 4 223 7199
 www.uhy-elite.com

Year established: 2002

Number of partners: 2

Total staff: 8

CONTACTS

Liaison contact: Artan Xhiani
 Position: Managing Partner
 Email: a.xhiani@uhy-elite.com

BRIEF DESCRIPTION OF FIRM

UHY Elite is one of top 10 accounting firms in Albania. UHY Elite offers a wide range of services for its clients such as audit, accounting, tax consulting, business consulting, etc. UHY Elite's staff is qualified and experienced to provide their services to business of different area, such as manufacturing, trading, construction, banking, agriculture, services, transport, NGO, etc.

SERVICE AREAS

Statutory auditing of financial statements
 Accountancy, bookkeeping and outsourcing services
 Tax consulting
 Forensic accounting and litigation support
 General business advice and strategic planning

SPECIALIST SERVICE AREAS

ERP implementation
 Management accounting
 Business plan
 Market studies

PRINCIPAL OPERATING SECTORS

Banking
 Building Products
 Construction
 Energy: Services, extraction
 Engineering
 Food & beverages manufacturing
 Insurance
 Retail
 Telecommunication Services
 Not for profit

LANGUAGES

Albanian, English, Italian, French.

CURRENT PRINCIPAL CLIENTS

Olof Palme Center
 Albacall sh.a
 Elbasan Cement Factory sh.p.k
 Elva 2001 sh.a
 DNX - Nitro Industria Kimike
 Rozimpek sh.p.k
 Protec Shoes sh.p.k
 Birra Tirana sh.a
 Land Mark Communication sh.p.k
 Mika Korca sh.a
 Korsel Sh.p.k
 Distri Barndas sh.p.k
 Chimica D'Agostino s.p.a
 Autovision sh.p.k
 Erma sh.p.k
 Albabeton sh.p.k
 Global Net sh.p.k
 Durres Port Authority

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

n/a

BRIEF HISTORY OF FIRM

UHY Elite sh.p.k is amongst top ten accounting firms in Albania, providing services in auditing, accounting, tax and various business consulting services. UHY Elite was established in 2002 from two co-founders and in August 2009 became UHY's representative firm in Albania.

UHY Elite was founded by Mr. Artan Golemi and Mrs. Mimoza Sula in 2002. Both founders were members of the Institute of Registered Auditors of Albania (IEKA) since the beginning of its activity (1997–1998), and they brought into this firm their valuable experience in the areas of auditing, accounting, tax, etc. This successful partnership expanded in August 2009 by the addition of Mr. Artan Xhiani as a partner who has international experience and professional graduations (CPA).

Quality in Everything We Do: UHY Elite's integrity and professional competence are the cornerstones of our firm. We work hard to earn and maintain our clients' trust and confidence.

We can provide quality professional services in an independent, objective, and ethical manner.

Services Offered: UHY Elite provides a range of services, including (but not limited) accounting and auditing, tax advisory, management and business consulting etc.

Above all, we act with integrity - constantly striving to uphold the highest professional standards, to provide sound advice, and rigorously maintain our independence.

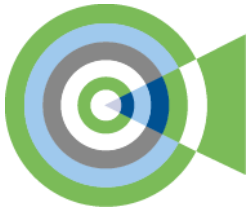
We seek the facts and provide insight - challenging assumptions, pursuing facts, and strengthening our reputation as trusted and objective business advisers.

We are also committed to promoting and embracing constructive reform, and to helping clients follow good business practice while increasing value to their company.

Training and development: The management of the company acknowledges that it is important to train the staff and improve the quality of the services renders. Therefore UHY Elite has recently joint UHY, aiming to increase the professional capabilities and the quality of its service, coupled with the experience of such international chain of values and cultures.

Our offices are located in the very centre of Tirana city (Capital of Albania), and its personnel are divided into 3 main departments: Accounting, Auditing and Tax consulting. The annual turnover year by year has increased from 6-15% in the last 4 years.

The office has three partners with over 20 years of experience in public accounting and some individuals of our professional staff has over 7 years of experience in public accounting. Our personnel is able to provide services fluently in foreign languages such as English and Italian.



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.

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