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# INVESTMENT IN ALBANIA

10TH EDITION

2014



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2014

The information contained in Investment in Albania is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Dear reader,

This publication presents an overview of matters to be considered by those thinking of investing or doing business in Albania. The information presented in this publication has been carefully researched and all efforts have been taken to ensure the information is correct and reflects the current situation as of September 2014, unless otherwise stated.

Investment in Albania offers a brief look into the history and development of the political, economic and social structures that have shaped and now define Albania. Albania is rich in history and culture, has bountiful natural resources and immeasurable beauty. The combination of these assets demonstrates the overwhelming potential for investors and will, for certain, sustain the continuous growth of the Albanian economy.

Due to the continuous growth and constant change in Albania, it is important to obtain further information before making any investment decision. We would appreciate the opportunity to assist you in planning and implementing your investment in Albania.

For further information or inquiries related to any matters discussed in this publication, please feel free to contact us.

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## GENERAL INFORMATION

### FAST KEY FACTS

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**Location**

South East Europe

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**Area**

28,748 sq. km

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**Capital**

Tirana (est. population around 800,000)

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**Population<sup>1</sup>**

2,821,977 (Census results as of 1 October 2011)

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**Avg Age**

35.3 yrs

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**Language**

Albanian

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**Climate**

Mediterranean & Continental

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**Average temperature**

6.8 °C - 23.9 °C

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**Annual FDI Inflows <sup>2</sup> (2012)**

USD 1225 million

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<sup>1</sup> Source: INSTAT

<sup>2</sup> World Investment Report 2014

## INFORMATION SPACE:

Albania's main relevant partners in economic development:

- WIPO (World Intellectual Property Organization) (1992);
- World Trade Organization (WTO) (2000);
- EU Stabilization Association Agreement (SAA) (2009);
- North Atlantic Treaty Organization (NATO) (2009);
- FTA, CEFTA, EFTA;
- Albania presented its application for membership in the European Union (2009);
- EU Candidate Status for Albania (June 2014).

Main International Financial Institutions present in Albania since early 1990s:

- International Monetary Fund (IMF);
- World Bank;
- United Nations Development Program (UNDP);
- European Bank for Reconstruction and Development (EBRD);
- Islamic Development Bank.

## GEOGRAPHY AND CLIMATE

Albania is situated in southeast Europe in the west of the Balkan Peninsula and covers an area of 28,748 sq. km. Albania borders Montenegro and Kosovo to the north and northeast, Macedonia in the east, and Greece to the south. Albania occupies an important strategic location in the Balkans with access to the Adriatic and Ionian Seas in the west. The terrain is mostly mountainous. The average altitude of 708 meters is about twice the European average. The country offers numerous beautiful landscapes, archaeological sites, historic castles and other tourist attractions. The climate is Mediterranean with hot dry summers and cool rainy winters. Albania is in the Central European time zone and is therefore one hour ahead of GMT. Between April and October it moves over to daylight saving time, i.e. GMT +2.

## POPULATION AND LANGUAGE

### *Resident Population*

The Population and Housing Census<sup>3</sup> conducted in October 2011 indicated that resident population in Albania was 2,821,977. Compared to the 2001 census, when the enumerated population was 3,069,275, the population has declined around 8%, the chief factors being large scale emigration and a decline in the birth rate.

<sup>3</sup> Source: [www.instat.gov.al](http://www.instat.gov.al)

The enumerated resident population is made up of 50.1% males and 49.9% females.

### *Urban and rural areas*

For the first time in the history of population censuses in Albania, the population in urban areas is now larger than in rural areas. 2011 Census data show that the resident population in urban areas was 53.5%, while resident population in rural areas was 46.5%.

### *Language*

The official language is Albanian, a language which belongs to the Indo-European family of languages. Italian and English are the most commonly spoken foreign languages in the country.

Approximately 98.8% of the enumerated population speaks Albanian, 0.5% speaks Greek, 0.5% other (including Macedonian, Roma, Aromanian, Turkish, Italian and Serbo-Croatian), 0.1% unspecified<sup>4</sup>.

## CURRENCY

Albania's official currency is the Lek (ALL). The Bank of Albania (BoA) determines, approves, implements and retains control over monetary policy. In 2012, BoA issued its monetary policy document for 2012 to 2014 with the aim of achieving and maintaining price stability.

The BoA is the sole body entitled to issue banknotes, manage foreign currency reserves and supervises the banking system. According to BoA, in 2013 the Albanian Lek depreciated around 0.4% against the euro (as opposed to an appreciation by 0.9% in 2012) and appreciated around 3.9% against the US dollar, reflecting the demand and supply in the domestic market and developments in the international forex market.

The exchange rate according to the BoA as of September 2014 was 1 USD = 108.82 ALL and 1 EUR = 140.13 ALL.

## GOVERNMENT AND POLITICAL SYSTEM

Albania is a parliamentary republic based on the separation and balancing of legislative, executive and judicial powers. The 140-seat Parliament is elected every four years through general elections. According to the Constitution, the Parliament (known as the Assembly of Albania) elects a President for a five-year term. The President in turn appoints a Prime Minister, who is the head of the Council of Ministers, the highest executive body in Albania. Ministers are nominated by presidential decree based on the Prime Minister's recommendation and it is then for the Parliament to give its final approval to the composition of the Government.

<sup>4</sup> Source: [www.instat.gov.al](http://www.instat.gov.al)

The country is divided into 12 administrative counties. The Council of Ministers elects prefects to be its representatives in the regions. Local elections are held every four years to elect district councils. Each Council appoints a District Governor. City mayors are directly elected by public ballot. The judicial system is made up of a Constitutional Court, a Supreme Court, an Appeal Court and a District Court.

On 31 July 2014, the Albanian Parliament passed Law No. 115/2014 “On the Administrative and Territorial Division of Local Government Units in the Republic of Albania”, which reorganizes the previous 373 municipalities to 61. Local government units, constituted after the 2011 local elections, and with territorial jurisdiction according to the administrative and territorial division as defined in Law no. 8653, dated 31.07.2000, “On the administrative and territorial division of local government units in the Republic of Albania”, amended, and with Law No. 8654, dated 31.07.2000, “On the organization and functioning of the Municipality of Tirana”, continue functioning until the constitution of representative and executive organs of local government units in the 2015 local elections.

## A BRIEF HISTORY OF ALBANIA

Albanians are one of the most ancient populations in the region. Historic data shows they are descendants of the Illyrians, who settled in the Balkan Peninsula at the end of the Neolithic and beginning of the Bronze Age. In fact, the name of the country, Albania, derives from that of an Illyrian tribe called the “Albanoi”. In Albanian, the country is called Shqipëri, meaning the land of eagles.

At the end of the 14th and the beginning of the 15th century, the Ottoman Empire expanded towards the Balkans and Albania became a battlefield. Between 1443 and 1468, Gjergj Kastriot Scanderbeg, today a national hero, united the Albanian provinces and organized a successful revolt which kept the Ottomans out of Albania for 25 years. Following the death of Scanderbeg, the Ottoman Empire gained control for about five centuries. Albania declared its independence in 1912. The present borders of Albania were approved by the London Conference of Ambassadors in 1913.

In 1928, Ahmet Zogu declared Albania a kingdom and thus became “Zogu I, King of the Albanians”. He fled the country in April 1939, when Italy invaded Albania. After the surrender of Italy, the Germans occupied Albania until the end of 1944. The Albanian Communist Party, later called the Labor Party of Albania (PPSH), led by Enver Hoxha, came to power after the defeat of the Germans at the end of World War II. Like much of Eastern Europe, for some 45 years, Albania was under the rule of a ruthless totalitarian regime. All farms and small industries were nationalized and the whole economy was centrally planned and managed through larger-scale state enterprises. Albania cut its economic and diplomatic relations with other major communist powers, first with the Soviet Union in the early 1960s, and then with China at the end of the 1970s, becoming totally isolated from the rest of the world. Inefficiency, mismanagement of the economic system and a disregard for human rights hindered the country’s development. With the fall of the Berlin Wall in late 1989 and the major political changes which swept through the eastern bloc countries in the early 1990s, Albania set out on the road of transition towards a democratic society and a free market economy.

## INFORMATION SPACE:

### EU Candidate Status for Albania

At the General Affairs Council meeting on June 24 2014 in Luxembourg, Ministers from the EU Member States have agreed – based on the recommendation by the European Commission to grant EU candidate status to Albania, subject to endorsement by EU heads of states at the forthcoming European Council on Friday in Brussels.

Commissioner Štefan Füle welcomed the decision and said the following:

Granting of candidate status is a logical consequence of Albania's reform efforts. Our report from the beginning of this month and today's decision of the Ministers is acknowledgement of the EU for the efforts made and the progress achieved on Albania's accession road.

At the same time it should be seen as an encouragement to continue with existing reforms and embarking on new reforms necessary to prepare Albania for the start of the accession negotiations later on.

Let me just recall that over recent months Albania has shown concrete action and continued political will to pursue the process of EU-related reforms. The Albanian government has continued to implement and consolidate reform measures in judicial reform, in the fight against corruption and organized crime. The most recent example is the major police operation in Lazarat last week to destroy the cannabis cultivations in the area.

For Albania to further advance on its EU-integration path, major challenges still lie ahead. Albania will need to continue and consolidate its systematic approach to reforms, address existing shortcomings and tackle remaining EU-related challenges.

To conclude, the granting of candidate status to Albania is a clear testimony that the enlargement process is credible and dynamic, and that the EU sticks to its promises and commitments once the partners deliver on their reform homework.'

*Source: EU Candidate Status for Albania (24/06/2014): Extract from the Statement of the European Commission, Luxembourg, 24 June 2014.*

## VISA SYSTEM FOR FOREIGNERS TRAVELING TO ALBANIA

Albania is relatively easy to access. Before traveling to Albania, foreigners should contact the diplomatic and consular representations of the Republic of Albania in their home country to check if the rules have changed. Foreign citizens can enter the Republic of Albania on presenting valid passports and entry visas issued by diplomatic or consular representatives of the Republic of Albania based abroad. The passport should be valid for at least three months after the expiry of the visa. Are exempted from the obligation to obtain an Albanian visa (for a residence up to 90 days within 180 days) citizens of countries that are not required to obtain such visa, as well as holders of a valid multiple entry visa/residence permit issued by a country part of the Schengen Agreement or holders of a valid multiple entry-exit visa/valid residence permit issued by the United States of America or Great Britain and Northern Ireland, provided that visas have been previously used in these countries”.. On 28 March 2013, the Albanian Parliament approved the new Law no. 108/2013 “On Foreigners” (published in the Albanian Official Gazette No. 48, dated 5 April 2013) which abolished Law No. 9959, dated 17 July 2008.

### Visas

No major changes were made to visa types, which remain as follows:

#### **Type A:**

Airport transit visa with one entry which allows the holder to remain in the international zone of the airport until the departure of their flight to their final destination.

#### **Type C:**

Short term residence visa which allows the holder to remain in the Albanian territory for up to 90 days of a 180 day period.

#### **Type D:**

Long term residence visa, valid for one year, which allows the holder to stay in Albania for up to 90 days of a 180 day period and to apply for the issuance of a residence permit.

Foreigners entering the Republic of Albania without a visa may stay within the Albanian territory for up to 90 days of a 180 day period.

### *Holders of ID cards*

EU citizens except Croatian citizens and foreign citizens of the countries noted in Chart 1 can enter the Republic of Albania without an entry visa by presenting only a valid ID card at the border crossing point. They are allowed to stay within the Albanian territory up to 90 days of a 180 day period. Foreign citizens must have enough funds to sustain themselves during their stay in Albania.



### Chart 1 – Country

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Australia	Canada	Republic of Macedonia	Great Britain
Hong Kong*	Iceland	Kazakhstan*	Kosovo
Liechtenstein	Monaco	Montenegro	New Zealand
Norway	San Marino	South Korea	Singapore
Switzerland	USA	Vatican	

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### *Holders of Ordinary Passports*

Foreign citizen who hold of ordinary passports can enter Albania without an entry visa if they are citizens of countries listed in Chart 2. They have to present their valid passports at the border crossing point, and are allowed to stay for up to 90 days of a 180 day period. Foreign citizens must have enough funds to sustain themselves during their stay in the Republic of Albania.

### Chart 2 - Country

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Andorra	Antigua and Barbuda*	Argentina
Armenia*	Azerbaijan*	Brazil
Bahamas*	Barbados*	Bosnia and Herzegovina*
Brunei*	Chile	Costa Rika*
Croatia	Guatemala*	Honduras*
Israel	Japan	Macau*
Mexico*	Malaysia	Mauritius*
Nicaragua*	Panama*	Paraguay*
Salvador*	Serbia	Seychelles*
St. Kitts and Nevis*	Taiwan*	Turkey*
Ukraine*	Uruguay*	Venezuela*

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Citizens of states marked with (\*) in order to obtain a residence permit in Albania must obtain a long staying term Visa type “D”.

### *Holders of Diplomatic and Service Passports*

Foreign citizens, who hold of diplomatic or service passport from the countries listed in Chart 1 and Chart 2, from countries with which there is a bilateral agreement, as well as from those countries listed in Chart 3, can enter the Republic of Albania

without a visa. Such citizens are allowed to stay in Albania for up to 90 days of a 180 day period.

### Chart 3 – Country

Algeria	China	Costa Rica
Egypt	Moldova	Russia
South Africa	Uruguay	Vietnam

## EMPLOYMENT OF FOREIGNERS

### *Work permits*

The authority empowered to issue work permits is the General Directorate of National Labor Service or the Labor Office of the relevant territory, part of the Ministry of Labour, Social Welfare and Youth.

Foreigners working in the Republic of Albania, depending to the specific case, must obtain a work permit or a work registration certificate.

The following categories of foreign workers are exempted from either obligation:

- a) Citizens of those countries which are part of the EU and Schengen zone have the same employment rights as Albanian citizens, except where the legislation in force requires Albanian citizenship for the job position;
- b) The working foreigner is only staying for one month in any one year in case of: (i) foreigners who are negotiating an agreement or supervising a trade event stall; (ii) business visitors; (iii) crew members of ships or aircrafts; (iv) lecturers, researchers or foreign specialists who come into Albania pursuant to agreements between governments, governments and educational institutions or private sector parties and educational institutions; (v) educators who come into Albania pursuant to bilateral governmental agreements or agreements concerning educational institutions; (vi) employees of humanitarian organizations active in Albania pursuant to international programmes of cooperation.

To obtain a work permit, the following documents must be filed:

1. Standard application form completed and signed by the foreign citizen;
2. A National Registration Center extract confirming the employer's registration;
3. The applicant's employment contract;
4. A copy of the passport of the foreign citizen;
5. Five photos.

The above documents might vary slightly depending on the type of work permit requested. The application file should be submitted to the General Directorate of National Labor Service or the Labor Office of the relevant territory. The Directorate/ the Labor Office must notify its decision on issuance from the work permit within 30 working days from the date of submission of the documentation; in practice, the work permit is usually issued within one month.

The official fee to be paid for the work permit is ALL 6,000 (approx. EUR 45).

## RESIDENCE OF FOREIGNERS

The competent authority for the issuance of residence permits for foreigners is the Border and Migration Department part of the General State Police Directorate.

The following types of residency permits can be issued by the Albanian migration authorities:

**Type A:**

Non-renewable residence permit which allows the holder to stay in the Republic of Albania for its term of validity;

**Type B:**

Renewable residence permit which allows the holder to stay in the Republic of Albania for its term of validity;

**Type C:**

Permanent residence permit;

**Type S:**

Residence permit issued to seasonal workers for periods of six months;

**Type Card Blue AL:**

Renewable residence permit issued to highly qualified employees; and

**Type Card Blue AL-C:**

Permanent residence permit issued to highly qualified employees.

The application for a residence permit and for the renewal of the same should be submitted respectively, not later than 30 days after entrance in the Albanian territory and 60 days prior to the expiry of the relevant residence permit.

The residence permits are issued for a period of:

- a) three months, six months and one year (renewable up to five consecutive times);

- b)** two years (renewable only once);
- c)** permanent, if the foreigner has had legally resided in Albania for five consecutive years.

Residence permits of type Card Blue AL can be issued for an initial period of two years and renewed for a term of three years.

US citizens can reside in the Republic of Albania for up to one year without the obligation to obtain a residence permit and the initial residence permit for a US citizen can be issued for a term of up to five years.

In order to obtain a residence permit, the following documents must be submitted at the foreign citizen's local Police Station:

- 1.** Pre-stamped application form for the residence permit completed and signed by the applicant;
- 2.** Passport of the applicant as well as copies of those pages bearing official notes (the passport should be valid for at least three months after the expiry of the residence permit's term);
- 3.** Legalized criminal record certificate of the applicant obtained in the country of origin issued in the last six months;
- 4.** Lease contract for the premises where the applicant is residing;
- 5.** Declaration issued by the employer stating the reasons for the foreigner's stay;
- 6.** Copy of the work permit/declaration of employment;
- 7.** Two photos;
- 8.** Document proving insurance in Albania;
- 9.** Copy of the Employment Contract.

The official fee for issuance of the one year duration residence permit, payable to the local Police Station, is ALL 10,000 (approx. EUR 75).

The foreigner applying for the residence permit must be personally present at the local Police Station and the residence permit will be issued within 60 days from the application date.

While the application regarding the work permit may be submitted by an authorized person, the foreign citizens applying for the residence permit must be personally present to submit their documents as well as to collect the relevant permit.

In order to obtain a work and/or residence permit, all official documents executed abroad or issued from foreign public authorities (including notary deeds or certifica-

tions) should be legalized with apostille in accordance with the Hague Convention of October 1961.

They will then be translated into the Albanian language and notarized by a public notary.

## ACCOMMODATION

Tirana offers the best opportunities for accommodation. Almost all the major hotels and well-known restaurants accept credit cards. However, Albania remains predominantly a cash society and most payments in shops, restaurants, etc., are settled in cash. A good source of information on hotels throughout Albania and their respective rates is: [www.albania-holidays.com](http://www.albania-holidays.com). Foreign citizens who plan to stay longer in Albania can rent houses and apartments. The monthly rental cost for a 70 sq. meter apartment situated in the heart of Tirana is approximately EUR 400. There are several real estate agencies operating in Tirana, although the market is under-developed.

The best way to find good accommodation is through Albanian colleagues or the international community.

Good restaurants, which are widespread in Tirana, usually offer Italian cuisine combined with Albanian specialties. A list of some good hotels and restaurants is provided in Appendix A.

## WORKING HOURS

The public administration works five days a week from 08.00 to 16.30 hrs Monday through Thursday and from 08.00 to 14.00 hrs on Friday. Banks are open from 08.30 to 15.30 hrs, and most shops open every day from 09.00 to 20.00 hrs.

## TRANSPORTATION

The only operating international airport in Albania is Rinas Airport, named after Mother Theresa, which is about 20 minutes' drive from Tirana. Taxis are easy to arrange, but prices should be negotiated in advance. A one-way taxi journey into the city costs approximately EUR 15.

## TELECOMMUNICATION

Mobile communication services are offered by four operators: Albanian Mobile Communications, Vodafone Albania, Albtelecom/Eagle Mobile and Plus Communications, providing coverage across almost the entire Albanian territory.



## ECONOMIC SITUATION OVERVIEW

### BASIC MACROECONOMIC INDICATORS

Situated at a natural crossroad of Europe's major transit corridors, Albania boasts a strong strategic, economic and geographic position.

Described as a reforming country with a focus on the ease of doing business, free markets, low taxation and powerful incentives, as well as a motivated, educated and cost-competitive work force, Albania is considered a vital and interesting country to invest in by international businesses. For some years, the Albanian economy has been moving quickly towards a more open and liberal model with inward investment playing a key role in the overall economic transformation.

According to reports from the BoA, over the past few years, Albania has enjoyed significant economic growth and macroeconomic stability, with average real GDP growth rates amounting to 6% for the years 2003 to 2008—the highest in South East Europe—underpinned by rising exports (albeit from a low base) and continuing improvements in productivity. However, the Albanian economy slowed with the onset of the global economic crisis.

Current economic situation: According to BoA's Annual Report 2013 the Albanian economy showed strong signs of deceleration in 2013. GDP grew by 0.4% in the first three quarters of 2013, from 1.3% and 2.8% in 2012 and 2011, respectively. The sluggish economic activity was mainly driven by poor investments and private consumption. Consumption and private investments did not seem to be favoured by banks' conservative lending policies, which originated from the distressed situation in euro area's financial markets and high perceived risk of default. On the other hand, fiscal stimulus and external demand made positive contribution to economic growth in the first three quarters of 2013.

During 2013, the Bank of Albania conducted an easing monetary policy, reflecting not only the low inflation pressures but also aiming to stimulate growth through lending at low interest rates. The highly stimulating monetary policy was manifested in four key interest rate cuts and continuous injection of liquidity.

#### *Macroeconomic Indicators*

In 2013, the Albanian economy showed strong signs of deceleration due to poor investments and private consumption, which continued to suffer from the economic agents' low confidence and tight financing conditions. In 2013 inflation pursued a downward path, falling from 2.7% in January to 1.9% in December, while real GDP

was estimated to increase by 0.4% as of the end of the year. Although aggregate demand was weak, the narrowing net exports deficit also helped narrow the current account deficit in the first three quarters of 2013. The net surplus in the income account provided a similar positive contribution as well.

Table 1 – Macroeconomic indicators

	2008	2009	2010	2011	2012	2013
<b>Inflation (Y-o-y, average for the period)</b>						
Headline inflation, (in %)	3.4	2.3	3.6	3.5	2.0	1.9
<b>Economic growth</b>						
Real GDP growth, (in %)*	7.5	3.3	3.8	3.0	1.3	0.4**
GDP (at current prices, in ALL million)	1,089,293	1,148,082	1,222,462	1,282,255	-	-
<b>Labour market</b>						
Number of employed (in thousands)	974.1	899.3	916.9	928.0	955.0	966.0**
Unemployment rate***	12.7	13.7	13.5	13.3	13.0	12.8**
Unemployment rate according to the survey****	13.0	13.8	14.2	13.9	13.9	15.7**
<b>External sector</b>						
Current account (as a percentage of GDP)	-15.6	-15.3	-11.5	-13.0	-10.7	-9.9**
Imports of goods (fob as a percentage of GDP)	37.7	35.1	36.7	39.9	37.0	34.0**
Export of goods (fob as a percentage of GDP)	10.3	8.6	13.2	15.4	16	17.9**
FDI inflows (as a percentage of GDP)	7.5	8.2	8.9	8.2	7.8	9.8**
International reserve (in EUR million, end of period)	1,675	1,646	1,904	1,912	1,972	2,015*
<b>Monetary and financial sector</b>						
Repo rate (end of period)	6.25	5.25	5.00	4.75	4.00	3.00
M3 aggregate (annual growth, end of period)	7.7	6.8	12.5	9.2	5.0	2.31
Lending to the private sector (annual growth, end of period)	32.2	11.7	10.6	10.4	1.5	-1.21

Source: Bank of Albania – Annual Report 2013.

Notes:

\* Semi-final estimates for 2010; preliminary estimates for 2011; and flash estimates for 2012 and 2013.

\*\* Annual growth of the nine-month period and end-Q3 for labour market and external sector data. Preliminary data.

\*\*\*According to administrative data, INSTAT.

\*\*\*\*"Labour Force Survey Results", INSTAT.



The main driver of economic growth in 2013 came from the external demand. The narrowing real net exports deficit by around 1.4% annually provides evidence for the positive contribution of the external sector of the economy to aggregate demand, albeit to a lesser extent than in 2012.

During 2013 the exports of goods were more dynamic than in 2012, driven by the improved global trade and higher demand for Albanian products. By contrast, the post-election period corresponding to the tourist season had a negative impact on real exports of services.

### *Fiscal Indicators*

According to BoA's Annual Report 2013, budget revenues amounted to around ALL 328.6 billion, down by around 0.5% in annual nominal terms. After the negative trend in the first eleven months, tax revenues picked up considerably in December, moving to a positive range of values, due to higher imports. The positive performance of tax revenues in December improved the overall fiscal setting for 2013. However, this performance was rather a reflection of importers' strategy to precede the changes in the fiscal package applicable as from January 2014, than of an improved consumption dynamics.

This performance materialised into higher budget deficit, which was estimated at around 4.8% of GDP for 2013. Budget deficit was estimated at around ALL 65.4 billion, up 42.7% in annual nominal terms, but around ALL 18 billion short of the annual plan. The difference between the actual and planned level for the deficit (mainly due to lower capital expenditure) was reflected in an almost uniform fall of borrowing in the domestic and foreign market. Budget deficit financing in 2013 was mainly based on the issue of long-term securities and privatisation receipts.

Table 2

	2008	2009	2010	2011	2012	2013
<b>Fiscal Sector</b>						
Budget balance (including grants as a percentage of GDP)	-5.5	-7	-3.1	-3.5	-3.4	-4.8
Public debt (as a percentage of GDP)	54.7	59.4	58.5	59.4	60.92	
Budget revenues (as a percentage of GDP)	26.7	26.0	26.6	25.4	24.4	24.1
Budget expenditure (as a percentage of GDP)	32.3	33	29.7	28.9	27.8	28.9

## Monetary Indicators

According to Bank of Albania's Monetary Policy Report Q4 -2013, the financial sector performed in line with the sluggish cyclical performance of the Albanian economy, which saw weak demand for financing. The low growth of money in Q4 provided evidence for poor money creation in the economy. Foreign inflows, coupled with the recovered fiscal sector demand for financing, continued to support money creation in the economy. The performance of bank lending confirmed the absence of lending and financial intermediation for the private sector.

The overall weakness in inflationary pressures required the Bank of Albania to pursue an easing monetary policy in 2013. The central bank cut the key interest rate four times to a record low of 3.0% at year-end. The easing monetary conditions contributed to a general decrease in interest rates, easier liquidity conditions and improved financial market activity.

During 2013, deposits increased by 3.6%, reducing the growth rate by half from a year earlier. The deceleration in ALL deposits made major contribution to the lower deposit growth rate. This performance was driven by the lower deposit interest rates and the increased investments in competitive instruments of non-bank financial institutions. During the second half of 2013, deposits grew by ALL 22 billion or 2.2%, to ALL 1,013.5 billion.

Table 3

	2008	2009	2010	2011	2012	2013
ALL / USD	83.9	95	103.9	100.84	108.24	105.7
ALL / EUR	122.8	132.1	137.8	140.34	139.02	140.3
<i>Annual ALL Interest Rates - End of Period</i>						
Deposits	6.79	6.78	6.4	5.87	5.38	4.17
Loans (weighted avg.)	12.82	12.46	11.29	11.17	10.28	9.52
T-bills	8.56	9.14	7.09	6.95	6.37	3.66
Weekly repurchase agreement rate (%)	6.25	5.25	5	4.75	4.00	3.00
<i>Amounts in ALL (Bn) - End of Period</i>						
Deposits	653.5	662.4	785.2	875.2	930.7	950.1
Loans	396.26	440.4	483.1	541.9	554.7	547.9

Source: Bank of Albania – Annual Report 2013.

According to the World Bank Group Country Strategy for Albania, Albania enters the new Country Partnership Strategy (CPS) period having weathered the global financial and economic crisis reasonably well, by maintaining positive, albeit significantly reduced, growth rates in 2009 and retaining a robust banking sector.

The World Bank Group Country Partnership Strategy for Albania covers the period 2011 to 2014 and envisages a lending programme of up to USD 275 million from the International Bank for Reconstruction and Development (IBRD) and USD 120-150 million from the International Financial Corporation (IFC). Due to the prolonged Eu-

rozone crisis the World Bank allocated an additional USD 275 million to help Albania respond to the Eurozone crisis through increased support for the financial sector, structural reforms and social protection - allowing for a total program under this CPS of up to US\$575 million. During FYI 1-13 (as of March 25), IFC significantly increased its program in the country, investing in six projects totaling about US\$125 million. The previous World Bank Group Country Assistance Strategy for Albania was approved on 10 January 2006 and covered the period 2006 to 2009.

Also, in regard to loans from international institutions, The Executive Board of the International Monetary Fund (IMF) approved on February 2014 a 36 month loan of SDR 295.42 million (about EUR 330.9 million) to support Albania's program for authorities reform.

## FINANCIAL SECTOR

The BoA plays an important role in the national statistical system, as the institution responsible for producing and providing data on the financial sector and the external sector. The external sector statistics encompass indicators on the balance of payments, statements of international reserves and foreign currency liquidity, merchandise imports and exports, international investment position, exchange rates and external debt.

### *Banking System*

The banking law, approved in December 2006, formalized a two-tiered banking system. Private banks are required to have a minimum capital of ALL 1 billion and should be incorporated as joint stock companies. Commercial banks and other financial institutions can provide a range of services under the supervision of the BoA.

### *Central Bank*

The BoA operates as an independent legal entity accountable directly to the Albanian Parliament and its principal objective is to achieve and maintain price stability. BoA is responsible for the formulation and implementation of monetary policy in Albania.

Specifically, the BoA has the exclusive power and the duty to:

- formulate and implement monetary policy and foreign exchange policies;
- act as a sole issuer of domestic currency in the Republic of Albania;
- license, supervise and regulate the activities of banks and other financial institutions;
- provide credit for banks;
- oversee the payment system in the Republic of Albania and facilitate efficient inter-bank payments and settlements;
- hold and manage the official foreign reserves of the Republic of Albania;
- distribute securities for the state account and issue securities for its own account.

All second-tier banks operating in Albania are obliged to:

- report monthly to the BoA. These reports should include the balance sheet and profit and loss account for the month, foreign currency balances, changes, if any, to the management of the Board of Directors of the bank, data on the bank's network structure, interest rates, credit exposures, credit per economic sector, high risk control, adequacy ratio(including total risk), weighted assets and off-balance sheet items and regulatory capital;
- maintain the compulsory reserve required by the BoA's regulatory acts;
- report on a monthly basis the provision for doubtful debt;
- maintain a capital adequacy ratio as defined by the Basel Accord of at least 12%;
- report to the General Directorate for the Prevention of Money Laundering, located near the Ministry of Finance:
  - all transactions in cash with a value equal to or higher than ALL 1,000,000, or its equivalent in other currencies, executed as a single transaction or as a several related transactions within 24 hours;
  - all other suspected transactions.
- maintain an open currency position with certain limits established by the BoA;
- comply with the provisions of the regulation on foreign exchange activities as approved by the BoA.

### *Banking Industry Composition*

There are 16 operating banks in Albania. There were also two Unions of Savings & Loans Associations and 121 Savings and Loans Associations. Currently, there are 21 non-banking financial entities operating in the Albanian finance market.

There follows a list of Banks and their respective presence as at the end of 2013:

Table 4

No.	Banks	Number of domestic branches	Number of branches abroad	Number of Agencies	Total: number of branches and agencies
1	Raiffeisen Bank	44	-	59	103
2	National Commercial Bank	57	1	3	61
3	United Bank of Albania	4		2	6
4	Veneto Bank	15	-	-	15
5	Tirana Bank	49	-	-	53

No.	Banks	Number of domestic branches	Number of branches abroad	Number of Agencies	Total: number of branches and agencies
6	Branch of the National Bank of Greece	27	-	4	28
7	International Commercial Bank	7	-	1	7
8	Alpha Bank	43	-		43
9	Intesa Sanpaolo Bank Albania	17	-		31
10	ProCredit Bank	20	-	14	32
11	Credit Agricole Albania	12	-	12	20
12	Credit Bank of Albania	1	-	8	3
13	Credins Bank	37	-	2	45
14	Societe Generale Albania	45	-		45
15	Union Bank	15	-	14	29
16	First Investment Bank Albania	5	-	4	9

Source: Bank of Albania, – Annual Supervisory Report 2013.

The following table presents the structure of entities licensed by the BoA from 2005 to 2013:

**Table 5**

Cumulative	2005	2006	2007	2008	2009	2010	2011	2012	2013
Banks	17	17	18	16	16	16	16	16	16
Financial Institutions (Non-banks)	7	6	6	7	13	17	19	21	021
Foreign Exchange Bureau	58	60	112	189	221	284	301	322	333
Savings and Loans Associations	131	125	130	133	135	126	126	126	121
Unions of Savings & Loans	2	2	2	2	3	2	2	2	2

Source: Bank of Albania—Annual Report 2012.

The following table provides some insight into net results, ROA and ROE of banking activities from 2008 to 2013.

Table 6

	2008	2009	2010	2011	2012	2013
	In ALL (bn)					
Net Results	122.8	132.1	137.8	140.34	139.02	
	In Percentage					
ROA	11.4	4.6	7.6	0.8	3.8	6.4
ROE	0.9	0.4	0.7	0.1	0.3	0.5

Source: Bank of Albania – Annual Report 2013.

### Insurance Industry

The insurance industry in Albania was created in 1991 with the establishment of the first insurance company INSIG, which held a monopoly position in the market for several years.

Albania was characterized by a relatively small insurance market in terms of number of companies that operate in the market and the total volume of written premiums.

During 2013 the number of companies that operate in the insurance market remained unchanged, while their activity shrank. Gross written premiums during 2013 amounted to ALL 8.54 billion, marking a decrease of about 4.63% compared to 2013.

At the end of 2013, eleven insurance companies were operating, consisting of eight non-life insurance companies, two life insurance companies, one combined life and non-life insurance company. In 2013, Gross Written Premiums reached approximately ALL 8,535 million. The increase in the insurance market for 2013 was mainly driven by non-life insurance which accounted for 88.12% of the total gross written premium in the market (see table 7).

Gross written premiums of voluntary insurance amounted to approximately ALL 4.67 billion in 2013. Gross written premiums for Fire Insurance and Damage to Property amounted to ALL 1,969 million. During 2013, gross written premiums for Accidents and Health Insurance were ALL 669 million.

Gross written premiums in life insurance amounted to ALL 609 million.

During 2013, gross written premiums for compulsory motor vehicle insurance (MTPL) third party liability dominated the market structure, with a value of approximately ALL 3.866 billion.

Gross written premiums for Green Card Insurance (Kartoni Jeshil) were approximately ALL 0.724 billion. Meanwhile, gross written premiums for Border Insurance reached ALL 0.398 billion.

**Table 7**

	2009	2010	2011	2012	2013
	In ALL (m)	In ALL (m)	In ALL (m)	In ALL (m)	
Compulsory Insurance	4,191	4,259	3,727	4,580	3865.5
Voluntary Insurance	3,686	3,947	4,488	4,370	4665.5
	Of which:				
Life	723	849	941	880	960
Non-life	7,083	7,302	7,256	8,042	7522
Reinsurance accepted	72	55	18	28	54
<b>Total</b>	<b>7,878</b>	<b>8,206</b>	<b>8,215</b>	<b>8,951</b>	<b>8535</b>

Source: Financial Supervisory Authority, Annual Report 2013.

#### **INFORMATION SPACE:**

To date, the Albanian insurance market can offer any kind of guarantee, in relation, to any kind of investment, for any value. The main features composing the Albanian insurance market are as follows:

##### 1. Financial figures

- Total Capital ALL 9,947 million(year 2013);
- Gross Written Premiums ALL 8,535 million (year 2013).

##### 2. Products offered

###### (i) Property and liability insurance:

- Insurance against fire and other damage to property;
- Public Liability Insurance;
- Professional Liability Insurance;
- Political Risk Insurance;
- Construction All Risks Insurance (CAR);
- Contractor Plant Machinery (CPM);
- Machinery Loss of Profit Insurance (MLOP).

###### (ii) Accidents and health:

- Health in Travel Insurance;
- Personal Accidents;
- Health Insurance.

###### (iii) Motor insurance:

- MTPL;
- CASCO;
- Border;
- Green Card.

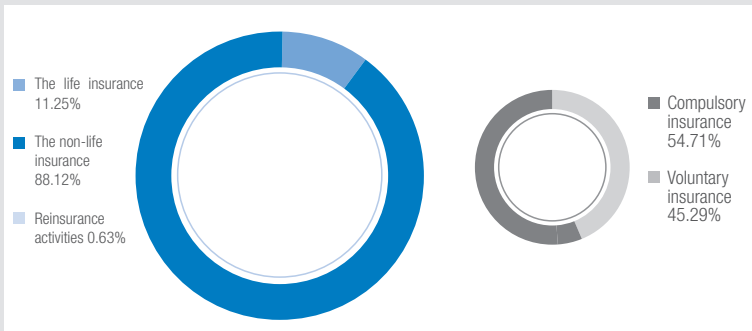
###### (iv) Marine and transport insurance:

- Hull & Machinery Insurance (H&M);
- Civil Liabilities of Vessels (P & I - Protection & Indemnity);
- Goods in Transit Insurance.

###### (v) Aviation insurance:

- Aviation Liabilities Insurance;
- Aviation All Risks Insurance.

Graph no 1: The structure of the insurance market, 2013



Source: Albanian Financial Supervisory Authority, Annual Report 2013.

## TRADE EXCHANGE

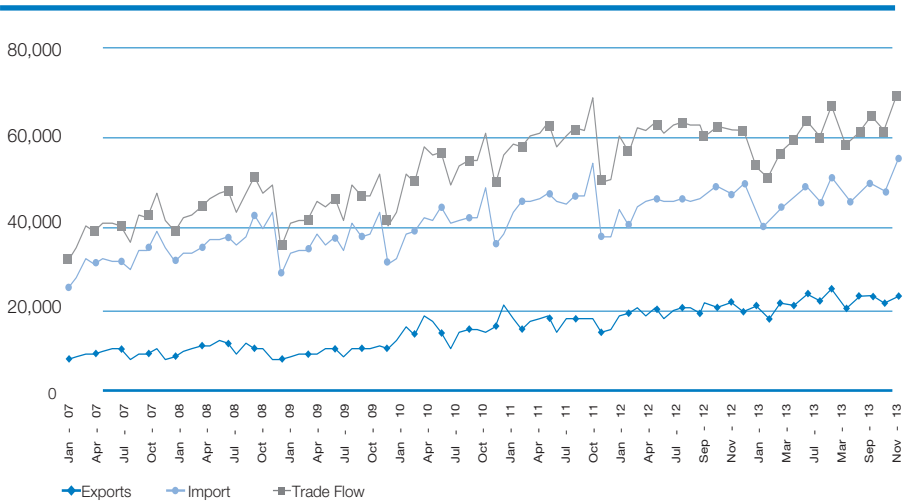
During 2013 the Albania's foreign trade flow dynamics experienced a small increase compared to 2012. Albania's total trade for 2013 amounted to ALL 760,856 million, representing an increase of 2.8% compared to 2012. Imports volume remains the biggest component of trade volume. However, the value of imports for 2013 declined again as in 2012 to ALL 514.518 million matching also the decrease of consumption of the year, representing a drop of 2.4% in 2013 compared to 2012 (ALL 527.038 million).

This drop of imports was offset by the increase in exports volume (expressed in ALL). Total value of exports in 2013 reached ALL 246.338 million representing an increase of 15.6% compared to 2012 almost doubling the growth rate (the increase was 7.9% in 2012 compared to 2011). Generally, exports have been characterized by a strong and steady positive trend from 2002 apart from the years when the crisis hit in 2008 and 2009.

This dynamic has helped in shifting the coverage of imports from exports towards a continuous improvement of the balance. Exports represent 32.4% of the total trade flows during 2013 expressed in ALL. This indicator has increased consistently from 2009 (19.3%); in 2010 (25.1%); in 2011 (26.6 %) and in 2012 (28.8%).

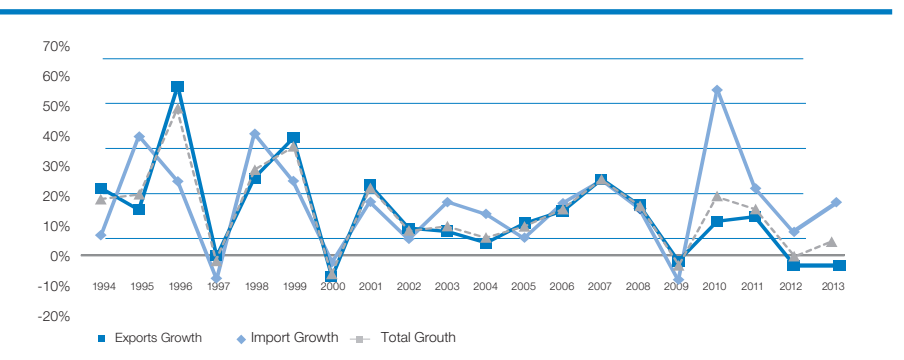


Graph no 2. Monthly Trade Flow 2007-2013 (ALL million)



Source: ACIT-Albanian Centre for Competitiveness and International Trade; Albanian Customs General Directorate.

Graph no 3. Annual Change rate in Exports and Imports Flows 1994-2013



Source: ACIT-Albanian Centre for Competitiveness and International Trade, Annual report 2013.

In 2013 mineral products, base metals, textiles and footwear remain the important sections with high shares to overall exports (more than 82% on total exports). Amongst these, mineral products have increased their share in the total exports in the years 2011, 2012 and more in 2013 becoming the section with the biggest share. In 2013 the mineral products share was 40%, an increase of 4.3 points of share compared to 2012 (35.7% in 2012). Textiles products and footwear products as we mentioned above have experienced changes regarding the growth rate during 2013. Textile products account for 14.4% (15.2 percent in 2012) of total exports in 2013 and it shows a consistent drop in the share of total exports in the last years. Another important sector with significant change in 2013 is footwear products. When compared to the previous year where footwear exports decreased by 1.9%, during 2013 this sector increased with 14%.

The 2009 crisis in Italy and Greece and the consequent decrease of demand was directly reflected in the slowdown of Albanian exports. Trying to invest and upgrade their businesses from the inward processing regime and diversify their geographic partners, are still crucial challenges ahead for these two sectors.

The sections with the highest share to total import flows continues to be mineral products (18%) but its share on total imports is 3% lower than 2012. Electric machinery and equipment accounted for 12% while main metals for 10%, both with the same share as in 2012. Altogether these sections represent 40% of total imports. Imports of textile, footwear and wood products experienced an increase in 2013, contrary to what had happened in 2012. Other important sections remain chemical products and prepared food as in 2012.

Albania continues to reinforce its international trade links through regional integration. This integration is intended to implement those principles and economic trade obligations defined in the official Memorandum of Understanding for the Liberalization and Facilitation of Trade, FTA (between Albania, FYROM, Croatia, Montenegro, Bulgaria, Bosnia-Herzegovina, Romania, Kosovo and Moldova). Exports of goods to Free Trade Agreement countries increased in 2012 and imports of goods from Free Trade Agreements increased by also compared with the previous year. Albania also signed a Free Trade Agreement with the Republic of Turkey. This agreement entered into force on 1 May 2008, after being ratified by Law No. 9733, dated 14 May 2007. Trade volumes with Turkey reached ALL 43,870 million in 2012. Turkey is one of the few constant trade partners, experiencing an overall increase in trade flows.

### *Key Trade Statistical Data*

Table 10 provides an overview of information on exports and imports, including values, overall share and growth rate divided by product sector.

Albania's trade structure has maintained a similar pattern throughout the years. Albania's foreign trade flow dynamics during 2012 remained almost the same compared to 2011. Albania's total trade for 2012 amounted to ALL 740.111 million, representing a

minor drop of -0.18% as compared to 2011. Total value of exports in 2012 reached ALL 213.073 million an increase of 7.9% as compared to 2011 (increased by 8.9% as valued in EUR and 0.8% as valued in USD) as showed in table 8.

The value of imports for 2013 declined to ALL 514.518 million.

Table 8

No.	Description	Imports			Exports		
		Value of Imports (ALL m)	Share on total (%)	Growth rate (%)	Value of Exports (All m)	Share on total (%)	Growth rate (%)
1	Live animals: animal origin products	14,983	2.9%	-6%	1,854	0.8%	-39%
2	Vegetable products	28,043	5.5%	1%	6,657	2.7%	34%
3	Animal grease and oils or vegetal and its products	5,910	1.1%	-14%	222	0.1%	-25%
4	Prepared food; drinks, alcoholic beverages and vine	44,470	8.6%	4%	5,919	2.4%	31%
5	Mineral products	92,633	18%	-16%	99,412	40%	31%
6	Chemical industrial products and alloys	47,195	9.2%	9%	1,342	0.5%	48%
7	Plastic and its products; tire and its products	21,040	4.1%	5%	1,536	0.6%	37%
8	Unprocessed and processed leather, coats ...	11,381	2.2%	17%	3,193	1.3%	15%
9	Wood and its products; charcoal; cork and its products	6,899	1.3%	2%	1,782	0.7%	-2%
10	Wood or other fiber	13,812	2.7%	21%	6,219	3%	76%
11	Textile and its products	42,889	8.3%	13%	35,534	14%	10%
12	Footwear and hats, umbrellas and parasols, walking ...	11,303	2.2%	8%	33,835	14%	14%
13	Stone, gypsum, cement products ...	13,165	2.6%	-3%	1,139	0.5%	-15%
14	Natural or cultivated pearls, jewelry ...	837	0.2%	-19%	345	0.1%	35%
15	Main metals and their products	50,149	9.7%	-8%	35,036	14%	-10%

No.	Description	Imports			Exports		
		Value of Imports (ALL m)	Share on total (%)	Growth rate (%)	Value of Exports (All m)	Share on total (%)	Growth rate (%)
16	Mechanic, electric machinery and equipment	61,307	11.9%	-3%	7,144	3%	6%
17	Vehicles	33,483	6.5%	-5%	1,080	0.4%	17%
18	Optic, photographic, cinematographic, measuring ...	4,733	0.9%	-16%	382	0.2%	97%
19	Weapons and minitions and their equipment	170	0.03%	-43%	161	0.1%	-67%
20	Different manufactured products	9,733	1.9%	-1%	3,224	1.3%	7%
21	Works of art, collection and antics pieces	383	0.1%	190%	322	0.1%	10633%

*Source: Albanian Center for Competitiveness and International Trade (ACIT), Albania 2013 Trade Report.*

Data released by the Albanian Customs General Directorate for 2013 also confirmed the positive trend for export volume. During 2013 the total volume of commercial exchange was ALL 760 850 million and increased 8% in weight and 2% in value compared to 2012. Import was with 2% in weight and 3 % in value, while export was 18% in weight and 15% in value.

Albania's most important trade partners, accounting for the highest share of exports to and imports from the country, remain the EU-27 countries. Exports to the EU-27 countries accounted for 77% of total exports, after a light increase of 2 percentage points in relative share as compared to the previous year. The yearly growth rate of exports to EU countries was 17.4% (during 2012 they experienced 13% of growth). Imports from EU-27 countries accounted for 63.3% of total imports (62% of total imports in 2012). Their share has decreased by 1.3 percentage points and their value decreased by 1% (7% in 2012). The second most important group of countries in terms of trade is the countries of the region. Their relative share of total exports reached almost 12%, growing by 5% from the previous year. The share of total imports of the countries of the region reached at 7.4%, dropping by 23% (growing by 1.3% in 2012). This confirms the general decreasing trend of imports from all main trade partners of Albania in the last years.

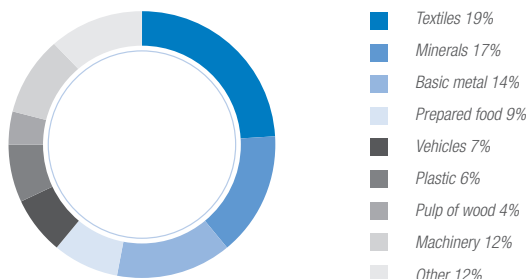
Other main countries exports shares to the total exports flows have experienced a considerable increase of 16% (decrease of 16% in 2012), compared to the previous year, reaching at 11% of share on total Albanian exports. Imports from these countries also represented 21% of total imports of Albania similar as in 2012. The slowdown in imports has affected flows from these countries as well. In 2013 imports dropped by 5% (grew by only 6% in 2012).

Table 9 | The Geography of Albania's trade flows 2013

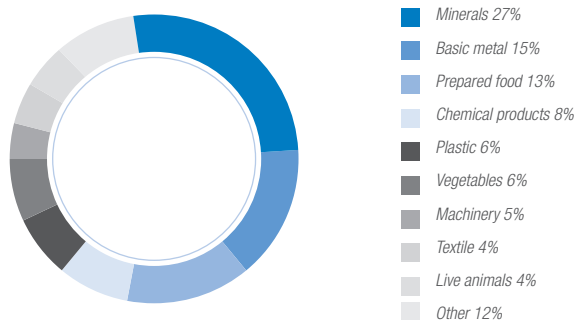
	Imports			Exports		
	Value (ALL m)	Share to total (%)	Growth rate 2013-2012	Value (ALL m)	Share to total (%)	Growth rate 2013-2012
EU-27	188,784	77%	17.4%	325,751	63.3%	-1%
Italy	114,115	46%	4.8%	170,396	33.1%	1%
Greece	7,795	3%	-17.6%	45,771	8.9%	-9%
Spain	24,068	10%	22.2%	8,025	1.6%	-23%
Germany	9,456	4%	43.1%	30,114	5.9%	-6%
Malta	16,540	7%	331.3%	336	0.1%	18%
Bulgaria	2,321	1%	-16%	8,601	1.7%	26%
Other EU countries	14,489	6%	52.2%	62,508	12.1%	5%
Countries of the region	28,921	12%	5%	37,917	7.4%	-23%
Kosovo	16,291	7%	-6.2%	6,183	1.2%	22%
Macedonia	4,394	2%	5.5%	8,881	1.7%	4%
Serbia	2,410	1%	36.9%	15,145	2.9%	-35%
Montenegro	4,993	2%	46.5%	2,009	0.4%	66%
Croatia	446	0%	-24%	2,392	0.5%	-67%
Bosnia and Herzegovina	335	0%	14.6%	3,285	0.6%	-12%
Moldavia	52	0%	5809.1%	22	0%	-6%
Other countries	26,484	11%	16%	105,699	20.5%	-5%
Switzerland	4,361	2%	77.9%	9,016	1.8%	-42%
China	11,449	5%	99.1%	34,989	6.8%	4%
Russia	202	0%	276.9%	10,040	2%	-25%
Turkey	9,223	4%	-31.5%	33,226	6.5%	9%
Ukraine	31	0%	320.1%	5,501	1.1%	-5%
USA	1,218	0%	12.3%	12,928	2.5%	2%
RoW	2,149	1%	10%	45,151	8.8%	17%

In 2013, Italy and Greece remained Albania's most important trading partners. Graphs 4, 5, 6 and 7, below, show the structure of imports and exports with these countries.

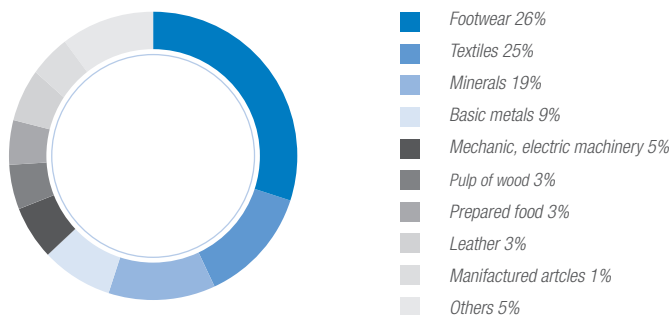
Graph no 4. Structure of exports to Greece, 2013



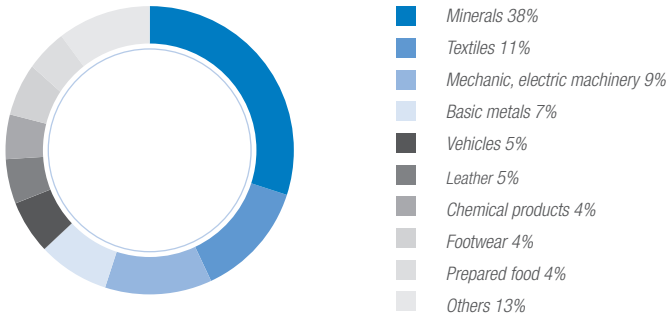
Graph no 5. Structure of imports from Greece, 2013



Graph no 6. Structure of exports to Italy, 2013



Graph no 7. Structure of imports from Italy, 2013



Source: ACIT-Albanian Centre for Competitiveness and International Trade, Annual Report 2013.





## BUSSINES SECTOR

### OPPORTUNITIES FOR INVESTMENT

#### OPPORTUNITIES AND INCENTIVES FOR FOREIGN INVESTORS

Albania is a country that offers many investment opportunities to foreign entities and individuals. The country has considerable natural resources, including oil, gas, coal, iron, copper, chrome, water and hydroelectric potential.

The privatization process in itself offers a wide range of options. Potentially high profit sectors include mining and oil extraction, both of which are export-oriented industries. Albania is the only country in Europe with substantial reserves of chrome, which before 1990 made it the world's third largest producer of chrome ore. Nevertheless, significant capital investments and capacity upgrades are needed in order to modernize the old, outdated production methods. Other areas of interest include thermal and hydro power production, alternative sources of energy production, infrastructure, agriculture, light industry sectors such as textiles, leather and footwear, confectionary, and meat processing.

The privatization strategy explicitly seeks qualified foreign firms as strategic investors for these key sectors. The process has already attracted foreign investors, mainly from Greece, Italy and Turkey.

Tourism also offers great investment prospects. Albania has spectacular mountain scenery, a beautiful and pristine coastline, and ancient history and culture. Tourism could be one of the main attractions for foreign investors.

As stated in the World Investment Report 2013, Albania will highly benefit from the Trans-Adriatic pipeline, which will generate one of that country's largest FDI projects, with important benefits for a number of industries, including manufacturing, utilities and transport. The pipeline will enhance Europe's energy security and diversity by providing a new source of gas.

Albanian law, especially the Law on Foreign Investments, guarantees full legal protection for foreigners' investments. Private investments are not subject to nationalization or expropriation, unless specifically required by law for the public interest. Parties to a dispute may agree to submit claims to arbitration. Foreign investors also have the right to submit disputes to an Albanian court.

The Law on Foreign Investments provides "special state protection" for investments/projects exceeding EUR 10 million. Such protection is granted where a dispute arises between the foreign investor and a private party claiming title over the land where the project is or will be built and/or developed.

This protection involves the state replacing the foreign investor in a court dispute and undertaking to compensate the claimant if the court rules in its favor.

Other legal incentives include:

- Equal treatment of foreign and domestic investors;
- Full profit and dividend repatriation, after taxation;
- Repatriation of funds from liquidated companies.

Bilateral agreements on the promotion and protection of reciprocal investments are in force with the following countries Austria, Belgium, Bulgaria, China, Croatia, the Czech Republic, Denmark, Egypt, Finland, France, Macedonia, Germany, Greece, Hungary, Israel, Italy, Luxembourg, Malaysia, the Netherlands, Poland, Portugal, Romania, Slovenia, Sweden, Switzerland, Tunisia, Turkey, the United Kingdom and the United States.

#### INFORMATION SPACE:

The Trans Adriatic Pipeline (TAP) will transport Caspian natural gas to Europe.

Connecting with the Trans Anatolian Pipeline (TANAP) at the Greek-Turkish border, TAP will cross Northern Greece, Albania and the Adriatic Sea before coming ashore in Southern Italy to connect to the Italian natural gas network. The project is currently in its implementation phase and is preparing for construction of the pipeline, which is planned to begin in 2016.

Once built, TAP will offer a direct and cost-effective transportation route opening up the vital Southern Gas Corridor, a 3500-kilometre long gas value chain stretching from the Caspian Sea to Europe.

TAP chose the pipeline's route with great care to ensure the best commercial and technical possibilities and cause minimum environmental and social impact. Approximately 870 kilometres in length, TAP's highest elevation will be 1,800 metres in the mountains of Albania while its lowest depth offshore will be 820 metres beneath the Adriatic.

#### Benefits for Albania

TAP will facilitate development of Albania's energy infrastructure and it will drive foreign investment to the country. TAP is expected to be one the largest foreign direct investments in Albania to date. TAP receives strong support from the government of Albania and is designated as a 'Project of National Importance'. The pipeline will help Albania continue its commercial and physical integration with Europe, increasing the country's regional and geo-strategic significance while promoting continued stability.

As well as encouraging stable and predictable annual revenues once it is operational, TAP could also support Albania in meeting its own domestic energy needs by developing an internal energy market. TAP is already assisting Albania in the development of its National Gas Master Plan.

Source: [www.tap-ag.com](http://www.tap-ag.com)

## INFORMATION SPACE:

### National Economic Council

The National Economic Council (NEC) conducts its activity based on Law no. 57/2014 "On the Creation and Functioning of the National Economic Council". The NEC is created to guarantee institutional cooperation and public private partnership for the development of economic policies, ensuring dialogue and consultation between the government and the private sector, as well as increasing transparency in public decision making and to ensure the representation of the private sector in this process.

The National Economic Council aims to establish a process for consultation of the legal acts with comments, observations and suggestions coming from the business community to the government.

Individuals, businesses and interest groups can report through the official website of the National Economic Council any excessive bureaucratic practice, arbitrary action, misapplication of law or abuse of law and state authority by the state administration to private entities.

The Council has also its advisory function to the Government with recommendations for economic policies, decisions and practices. The principal function of the Council applies to recommendations and practices to improve the legal and institutional framework with impact in the economy as well as projects for influential policy change, completing areas of investment, trade, taxation and fiscal packages, business climate, arbitrariness and bureaucratic practices etc.

Source: [www.kek.al](http://www.kek.al)

## PRIVATIZATION

The privatization process is a key step for Albania's progress toward a developed market economy, through which it is aimed to:

- Stimulate the Albanian economy through the efficient use of natural and human resources;
- Support and further develop the private sector;
- Attract strategic and financial investors;
- Create conditions for the establishment of a capital market;
- Prepare and deliver a fast, efficient and credible privatization process encompassing all sectors.

The highest-profile privatization opportunities in Albania in the short to medium term are:

### In Telecommunication:

- Privatization of the remaining state-owned shares of Albtelecom.

### **In Water Supply and Transportation:**

- The concession for the Durres Port Train ferry terminal;
- The water supply systems in Berat and Kucove.

### **In Insurance:**

INSIG Sh.A – the only state owned insurance company in the market. It operates in Albania, Kosovo and in Macedonia, offering life and non-life insurance products.

### **In Hydropower Plants:**

Albania ranks as the most dynamic renewable energy country in Europe. The government of Albania has fully liberalized investments and trade in the sector and has completed a favorable modern legal and regulatory framework. As a result of such policies, in the past five years, more than 100 concessions have been awarded to build more than 300 new hydropower plants (HPP), and several concessions to explore wind and solar energy generation. Tens of new HPPs have already been completed and many are under way, while a number of large wind power investment projects are in the planning and pre-investment phases.

Water resources are among Albania's most important natural resources. The concept of Private Public Partnership (PPP) was introduced by the Albanian government as part of a Concession Law that guaranteed increased transparency and competitiveness.

## **SOVEREIGN RATING**

Standard & Poor's (S&P) on April 2014 assigned Albania long and short-term foreign and local currency sovereign credit ratings of B. The ratings on Albania reflect its very high general government debt burden, weak institutional and governance effectiveness, and comparatively low per-capita GDP.<sup>6</sup> S&P's peer, Moody's Investors Service Inc, in August 2014 affirmed the B1 government bond rating of Albania. The outlook remains stable.<sup>7</sup>

<sup>6</sup>[http://www.standardandpoors.com/en\\_EU/web/guest/ratings/entity/-/org-details/sectorCode/SOV/entityId/484959](http://www.standardandpoors.com/en_EU/web/guest/ratings/entity/-/org-details/sectorCode/SOV/entityId/484959)

<sup>7</sup>[https://www.moody.com/research/Moodys-affirms-Albanias-B1-government-bond-rating-outlook-remains-stable--PR\\_305607](https://www.moody.com/research/Moodys-affirms-Albanias-B1-government-bond-rating-outlook-remains-stable--PR_305607)

## BUSINESS LAW

The current Commercial Law governing business organizations in Albania (Law No. 9901 “On Entrepreneurs and Commercial Companies”) entered into force on 21 May 2008. It is modeled on commercial legislation found in Germany, Italy and Great Britain. The Commercial Law constitutes the main body of legislation for business organizations and aims to harmonize Albanian law with the laws of other European countries and the *acquis communautaire*.

### TYPES OF BUSINESS ENTITIES

The foreign investor has numerous options available to organize its business operations in Albania. This may be achieved either by establishing a locally incorporated company a branch or a representative office. The registration of new entities in Albania, since 1 September 2007, is carried out by the National Registration Center (“NRC”) established under Law No. 9723, dated 3 May 2007 “On the National Registration Center”, which aimed to implement a “one stop shop” system.

According to the Commercial Law No. 9723, dated 3 May 2007 “On the National Registration Center”, and the Albanian Civil Code the following business entities need to be registered with the NRC:

- Sole Entrepreneur – Tregtari
- Unlimited Partnership – Shoqeri Kolektive
- Limited Partnership – Shoqeri Komandite
- Limited Liability Company – Shoqeri me Pergjegjesi te Kufizuar
- Joint Stock Company – Shoqeri Aksionare
- Joint Ventures – Shoqeria e Thjeshte

#### *Sole Entrepreneur*

The Sole Entrepreneur trades under his/her own name. Individuals interested in establishing this type of business should file an application and an identification document with the NRC of the district where the business will be conducted. The application form includes the individual’s personal details, address, type of business and a specimen of his signature.

### *Unlimited Partnership*

All partners are unlimitedly and jointly liable for the debts of the partnership without limit. In unlimited partnerships, the partners are all considered administrators of the partnership, unless the contrary is stipulated in the bylaws. Each partner represents the partnership in relations with third parties. An unlimited partnership should issue annual financial reports. The rights, duties and obligations of partners are governed by written bylaws, which should be filed with the NRC.

### *Limited Partnership*

A limited partnership, which is seldom used in practice, consists of one or more unlimited partners with unlimited liability and one or more limited partners whose liability is limited to the amount of their contributions in the initial capital. A limited partner may not take part in the management of the partnership, even if he/she is given a proxy, and, if he/she does so, he/she will incur unlimited liability. The limited partnership is not dissolved on the death or dissolution of one or more limited partners.

### *Limited Liability Company (SHPK)*

This is the most common and most frequently appropriate legal form for conducting business in Albania. It can be established by one or more individuals or legal entities. Under normal circumstances, shareholders are held responsible for losses only to the extent of their contribution to the capital.

The minimum required capital for the limited liability company is ALL 100. The capital is divided into shares and there are no requirements regarding their nominal value.

Contributions to the capital can be in cash or in kind by any asset, tangible or intangible.

Directors are nominated by the General Assembly of the shareholders for a period of no more than five years, though this term can be renewed. Nomination of directors is effective after registration with the NRC. Ordinary decisions may be validly taken by the General Assembly of shareholders provided that a quorum representing more than 30% of the company's shares is present in the meeting.

Extraordinary decisions, such as changes to the bylaws, an increase or decrease in share capital, mergers and acquisitions or distribution of profits, may be validly taken by the General Assembly of the shareholders upon a majority vote of  $\frac{3}{4}$  of the shareholders present in the meeting, provided that shareholders holding more than half of the total number of votes are personally present at the meeting.

Decisions of the General Assembly of shareholders are recorded in the minutes of the meeting, which are kept by the directors of the company.

### *Joint Stock Company (SHA)*

The capital of a joint stock company is divided into shares, and, under normal circumstances, its shareholders are held responsible for losses only to the extent of their contribution to the capital. The minimum initial capital required is ALL 3.5 mil-

lion for privately held companies with no public offering, and ALL 10 million for companies which are publicly listed.

The capital is fully subscribed when the shareholders have promised to transfer assets to the company in cash or in kind to an amount equaling the capital. At the point of subscription, for shares being paid for in cash, at least one quarter of the nominal value of the shares must be paid in cash. Payment of the remaining value can be made in installments with the agreement of the management bodies of the company. In kind contributions must be fully paid in at the time of subscription. The Commercial Law does not permit contributions by way of services.

Rights attached to shares may not be transferred before registration of the company with the National Registration Center. All shares bear the same nominal value.

The joint stock company may have “ordinary shares” or “privileged shares”. The latter may also have no voting rights and in any case may not represent more than 49% of the registered share capital.

The Commercial Law provides for the adoption by joint stock companies of a flexible administration system. Joint stock companies may choose to adopt either a “one-tier” system (with a board of directors conducting both management and supervisory functions) or a “two-tier” system (with a board of and a separate supervisory board carrying out supervisory functions).

### *Branches and Representative Offices*

Under the Commercial Law, a foreign investor can also operate in Albania through a branch or representative office. The branch or representative office should be registered with the NRC and should have a legal representative empowered by the head office to administer the office. For tax purposes, in general, the branch is treated in the same manner as an Albanian entity.

### *Joint Ventures*

Albanian legislation recognizes joint ventures under the term “simple company”, since it is based on an agreement between partners.

Joint ventures are foreseen by the provisions of the Civil Code (articles 1074-1112) and may be concluded by two or more persons, whether individuals or legal entities, foreign or national, agreeing to engage in an economic activity in order to share profits deriving there from. There is no minimum capital requirement. Partners are liable to make the contributions provided in the agreement. Unless otherwise agreed, each partner may take part in the management of the partnership and has full power to carry out any acts which are within the scope of the partnership.

Each partner is entitled to receive its share of the profits after the accounts have been approved, unless otherwise agreed. Partners are jointly responsible for fulfilling the obligations imposed upon them by law and by the partnership agreement unless they prove they were not at fault.

## REGISTRATION WITH THE NATIONAL REGISTRATION CENTER

To register a new company with the National Registration Center (NRC) the following documents are required:

- Application form (standard form) filled in and filed by the legal representatives of the company or by a person authorized by a power of attorney;
- Articles of Incorporation and/or Bylaws;
- Resolution nominating the director of the company.

Depending on the legal form of the business entity, additional and specific information may be required to be stated in the Articles of Incorporation/Bylaws or filed with the NRC.

To register a branch or representative office with the NRC the following documents are required:

- Application form (standard form) filled in and filed by the representative of the branch/representative office or of the parent company or by a person authorized by a power of attorney issued by either of the above-mentioned persons;
- Articles of incorporation and bylaws of parent company and any amendments;
- Recent extract from the Chamber of Commerce of the country where the parent company is located, issued no more than 90 days before the date of the application, and confirming:
  - the registration of the parent company in the Commercial Register of the country of origin;
  - that the company is not subject to dissolution or bankruptcy;
  - the composition of the managing bodies of the company.
- Resolution of the parent company's board of directors or of any other body of the company authorized under its bylaws, to establish the branch or representative office in Albania and appoint a legal representative (Manager) of the branch or representative office in Albania;
- Financial statements for the last financial year of the parent company and the auditor's report.

## LICENSING OF DIFFERENT BUSINESS ACTIVITIES

The general principle established by the Licensing Law is that business activities in Albania are freely conducted and not subject to licensing, authorization or permit, unless required by applicable law.

The Licensing Law sets out (i) those activities that require a license, authorization



and permit; (ii) relevant requirements and procedures; (iii) terms of validity for a license, authorization or permit; and (iv) procedures for revocation.

Under the Licensing Law, any license, authorization or permit issued by the central or independent institutions should be registered with the National Register of Licenses and Permits (the “Register”) kept by the National Licensing Center, established by Decision of Council of Ministers No. 1697, dated 24 December 2008 and in force since 9 June 2009.

As a general rule, licenses, authorizations and permits shall become effective only on their publication in the Register, unless the deed approving a license, authorization or permit is stated as entering into force on its publication in the Official Gazette.

The Register is electronic and serves to publish information on licenses authorizations or permits granted with regard to the conduct of a specific activity. It also serves as an official electronic archive, ensuring the licensing process remains transparent.

The Licensing Law empowers the National Licensing Center to examine and approve applications for licenses, authorizations and permits listed in the Licensing Law and Licensing Decision.

Depending on their nature and requirements to which they are subject, not all licenses, authorizations and permits have to be reviewed by the National Licensing Center. In fact, as a general rule, applications for obtaining an authorization are examined directly by the competent public authorities without the National Licensing Center’s intervention. Nevertheless, in specific cases, the National Licensing Center may examine or consider such applications, provided that an agreement between the National Licensing Center and the competent authority is in place.

### *Tacit approval*

As a general rule, if the National Licensing Center fails to publish its decision to approve or refuse a license, authorization or permit by the relevant deadline, the application is deemed to have been approved. The same rule applies in the event that the results of applications for licenses authorizations or permits under Group III are not published by the examining authorities within the prescribed term.

Nevertheless, there are certain activities subject to licensing where the “tacit approval” rules are not applicable. In these cases, reference is made to the applicable law governing the activity that is subject to licensing procedures.

### *Other mandatory filings with the National Licensing Center*

The license authorization or permit issued to the applicant contains certain specific information such as the holder’s personal details, the place where the activity is to be performed, and the type of activity. Any changes to the information indicated in the license or permit must be notified to the National Licensing Center within 30 days.

Should the change relate to the criteria for licensing the specific activity, the holder of the license, authorization or permit should notify both the National Licensing Center and the relevant authority involved in the issuing of the license authorization or permit.

In the event that the change affects the aforesaid criteria, the holder of the license/ authorization or permit has to suspend its activity on its own initiative until the relevant authorities have completed their review of the change.

## ACCOUNTING REGULATIONS

All economic for-profit units in the Republic of Albania, including financial institutions, regardless of their legal form or the specific legal requirements that can be applied to them, are subject to Law No. 9228, dated 29 April 2004, “On Accounting and Financial Statements”.

Not for profit organizations are also subject to this law, except where their financial statements are governed by other laws and regulations.

Law No. 9228 brought in national and international accounting standards, which will serve as the basis for selecting which treatments or accounting methods are applicable when preparing or presenting financial statements. Based on Law No. 9228, the National Accounting Committee has approved fifteen National Accounting Standards. These Standards have been effective since 1 January 2008.

The National Accounting Standards (NAS) include the following:

- NAS 1 The Regulatory Framework for the Preparation of Financial Statements
- NAS 2 Presentation of Financial Statements
- NAS 3 Financial Instruments
- NAS 4 Inventories
- NAS 5 Property Plant and Equipment and Intangible Assets
- NAS 6 Provisions, Contingent Liabilities and Contingent Assets
- NAS 7 Accounting for Leases
- NAS 8 Revenue
- NAS 9 Business Combinations
- NAS 10 Grants and Other Similar Subventions
- NAS 11 Income Taxes
- NAS 12 The Effects of Changes in Foreign Exchange Rates
- NAS 13 Biological Assets
- NAS 14 Accounting for Subsidiaries and Associates
- NAS 15 On Accounting Principles and Financial Reporting for Micro-enterprises.

The accounting period consists of 12 consecutive months and should begin with the calendar year. Accounting records must be kept and maintained in Albanian cur-

rency and in the Albanian language. Transactions in foreign currencies are allowed to be carried out through special accounts in their respective currencies. All accounting books, source documents and financial reports should be retained for a period of 10 years. Accounting books and records can also be maintained by third parties, except in certain cases specified by law.

Albanian bookkeeping rules are similar to those commonly applied worldwide. Entries have to be documented on a double-entry basis and arranged chronologically.

Companies should verify the existence and valuation of assets and liabilities at least once a year through the inventory process and supporting documentation.

In the preparation of financial statements, the following principles, common to international accounting practice, apply:

- Preparation on a going concern basis;
- Consistency between accounting periods;
- Use of accrual accounting and matching concepts;
- Comparative information should be disclosed in respect of the previous period for all numerical information in the financial statements;
- Each material item should be presented separately in the financial statements;
- Assets and liabilities, as well as items of income and expense, should not be offset except where specified by any accounting standard;
- All transactions and accounts should be valued and presented fairly, prudently and transparently.

The Minister of Finance made mandatory from 1 January 2008, for those entities outlined below, the International Accounting Standards/International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board and translated into Albanian under the auspices of the National Accounting Committee without changes from the original English version:

- Companies listed on a stock exchange and their branches/affiliates, subject to consolidation of accounts;
- Second-tier banks, financial institutions similar to banks, insurance and reinsurance companies, securities funds and all companies licensed to invest in securities, even if they are not stock listed companies;
- Other big unlisted economic units, whose annual revenues in the last two years have exceeded ALL 1, 25 billion and whose number of employees exceeds 100 (as defined by Decision of the Council of Ministers).

Entities that do not fall into the above categories will apply the NAS approved by Order no. 4292, dated 15 June 2006, by the Minister of Finance.

According to Law no. 10110, dated 2 April 2009 “On Some Changes in Law on Accounting and Financial Statements”, micro-enterprises (as defined in Law No. 8957, dated 17 October 2002 “On Small and Medium Enterprises”) should apply only NAS 15 “On Accounting Principles and Financial Reporting for Micro-Enterprises”.

## FINANCIAL STATEMENTS AND CERTIFICATION REQUIREMENTS

Law No. 9228, dated 29 April 2004 “On Accounting and Financial Statements” provides that financial statements should comprise:

- balance sheet;
- income statement;
- statement of changes in equity;
- cash flow statement;
- notes, comprising a summary of significant accounting policies as well as explanatory material.

Standard reporting forms, as provided by the NAS, are given in Appendix F. Simultaneously with the financial statements, companies should file an annual profit tax return with the tax authorities, by no later than 31 March of the subsequent year. The standard form for the annual profit tax return is shown in Appendix E.

## AUDIT REQUIREMENTS

Pursuant to Law No. 10091, dated 5 March 2009 “On the Statutory Audit and the Organization of the Registered Chartered Auditors and Approved Accountants” the annual financial statements of the following entities are subject to mandatory audit by chartered individual auditors or auditing companies:

- companies that apply IFRS, regardless of their legal form;
- joint stock companies that apply the National Accounting Standards for financial reporting;
- limited liability companies that apply the NAS in cases where, at the end of the financial year, two of the following requirements are met:
  - total assets are equal to or greater than ALL 40 million;
  - the annual turnover is equal to or exceeds ALL 30 million;
  - the average annual number of employees is 30.

The auditor is appointed by a decision of the General Meeting of shareholders in the case of a limited liability company or a joint stock company on an annual basis.

Companies that apply the IFRS and joint stock companies that apply NAS must appoint at least two auditors or a single auditor firm.

## TAXATION OF BUSINESSES

### GENERAL

The tax system includes corporate income tax, value added tax (VAT), excise tax, personal income tax, simplified profit tax on small businesses and local taxes. The tax period for corporate income tax is the calendar year, while for VAT, excise tax and personal income tax, the tax period is the calendar month.

The modernization of the tax regime started in October 1997 with the introduction of VAT, replacing the turnover tax. The initial VAT rate of 12.5% was later increased to 20%. In January 1999, the Customs Code came into force, which was simpler to apply left less space for individual interpretation and was designed to comply with WTO requirements. The law on income tax introduced in 1998 abolished most tax exemptions granted previously.

The Albanian government in 2006 implemented a policy of low tax rates to encourage investment. In 2008, the government introduced a flat tax rate of 10% for all income, whether personal or business, except for that from industry sectors covered by specific laws, such as hydrocarbons.

Furthermore, in May 2008, a new law on tax procedures was adopted, providing detailed rules about taxpayers' rights, procedures for enforcing tax payment, requirements for transactions to be documented appropriately for fiscal purposes etc.

By end of December 2013, the Albanian Parliament approved the so-called "2014 Fiscal Package" effective from 1st of January 2014. The Fiscal Package introduced inter alia an increase of the corporate income tax rate to 15%, tax progressive rates on income deriving from employment and an increase of the basis of calculation of the health insurance contributions.

The Albanian Parliament on July 2014 approved the new Law on VAT, which broadly reflects the EU Directive On Value Added Tax. The law will enter into force in January 2015.

A new Customs Code was also adopted on July 2014 which is in full compliance with the Regulation "Union Customs Code". Certain provisions of the new Customs Code will enter into force in January 2015; the other provisions will gradually become effective until June 2017.

### RESIDENCE

Legal entities that are registered with the National Registration Center or whose place of effective management is in Albania are considered to be Albanian tax residents and liable to pay Albanian corporate income tax.

## CORPORATE INCOME TAX

Corporations conducting business in Albania are subject to a corporate income tax (profit tax) at a rate of 15% effective from January 2014.

The determination of taxable base starts with the profit shown in the profit and loss account. The profit calculation should be made according to the current accounting legislation and relevant instructions issued by the Ministry of Finance. In calculating the taxable base, the following expenses are deductible:

- Expenses incurred for generating, securing and maintaining profit;
- Insurance premiums;
- Depreciation allowances;
- Interest (excluding certain situations as established by law);
- Bad debts when the following conditions are met:
  - a) The corresponding amount has been included earlier as income;
  - b) The bad debt is cancelled out in the accounting books of the taxpayer;
  - c) All possible legal action to enforce payment has been undertaken;
- other expenses not listed as non deductible.

A list of expenses that are not deductible for tax purposes is provided in the law and includes:

- the cost of acquisition of and improvement land (capitalized);
- the cost of benefits in kind (tax-free for the recipient);
- interest in excess of the annual average bank interest rate;
- interest paid on loans exceeding on average four times the value of net assets during the taxable period;
- damage and waste related to production, transportation and storage in excess of the rates determined by law;
- dividends;
- the profit tax itself;
- penalties and fines;
- expenses in respect of technical, consulting and management services provided by non-resident entities, for which no withholding tax was paid until 20<sup>th</sup> of January of the following tax year;
- personal consumption expenses;
- representation and reception expenses which exceed 0.3% of the annual turnover;

- sponsorship expenses which exceed 3% of profit before tax and sponsorship expenses for press publishers which exceed 5% of the profit before tax;
- expenses for salaries and other compensation deriving from employment relationships, where payment is not made through the banking system;
- expenses resulting from any purchase-sale transaction performed in cash for an amount exceeding ALL 150,000.

### *Depreciation*

The owner of an asset is entitled to depreciation allowances. In the case of finance leasing, depreciation may be claimed by the lessee, the person who bears the risk in respect of loss or destruction of the asset.

There are two methods of depreciation: the straight-line method and the declining balance method.. The straight-line method applies at a rate of 15% to intangible assets. The declining balance method applies to the following major groups of tangible assets:

- Buildings, structures and machinery with a long useful life depreciate individually at a rate of 5%;
- Computers, information systems, software products and backup systems depreciate at a rate of 25% on a pooled basis;
- All other depreciable assets of the business depreciate at a rate of 20% on a pooled basis.

For all the above categories, the start date from which depreciation is calculated is the first day of the month following the month of purchase.

Depreciation allowances are not granted for land, works of art, antiques, jewellery, precious metals and stones.

Any subsequent measurement of the tangible and intangible fixed assets after their initial recognition is not considered for tax purposes.

### *Inventory*

Inventory can be valued using the weighted average price method, FIFO, or any other method specified in the accounting standards and regulations, provided that the entity consistently uses the same method. Any subsequent measurement of the inventory after the initial recognition is not considered for tax purposes.

### *Reserves and Provisions*

Reserves are not deductible for tax purposes, although banks and insurance companies are allowed to deduct reserves and provisions provided that they are created in pursuance to the International Accounting Standards and the external auditors have issued an unqualified opinion on them.

## *Losses*

Losses may be carried forward for three years. However, this does not apply when the entity's direct or indirect ownership has changed by more than 50%.

## *Inter-Company Dividends*

Domestic as well as foreign dividends received by a resident company are exempt from profit tax.

## *Transfer Pricing*

Tax officials have the authority to make adjustments to profit arising from a transaction between related parties if the parties concluded the transaction under conditions which differ from those of a similar transaction between unrelated parties.

## *Foreign Tax Credit*

Income taxes paid abroad by resident entities are credited against tax amounts due in Albania, in accordance with the provisions of the fiscal legislation.

## **WITHHOLDING TAXES**

### *Dividends and profit sharing*

Dividends and profit sharing paid to non-tax registered residents or to nonresidents are subject to withholding tax at a 10% rate.

### *Interest*

Interest paid to non-tax registered residents or to non-residents is subject to final withholding tax at a rate of 10%.

### *Other Payments*

There is a 10% withholding tax for payments in respect of artistic performances, royalties, leases, management and participation in managing bodies, technical, managing, financial and insurance services, construction, installation, or site supervision services which are made from non tax-registered residents and non-residents.

### *Double Taxation Avoidance Treaties*

Since 1992 Albania has entered into agreements "For the Avoidance of Double Taxation with respect to Taxes on Income and on Capital" with several countries. The Agreements cover the taxation of income from business profits, international transport, dividends, interest, royalties, dependent and independent personal services, as well as income from real estate. They establish the rules that apply to taxation for the above-mentioned types of income in an attempt to avoid double taxation. In addition, for some types of income such as dividends and interest, the agreements



specify the maximum rate applicable in the contracting state in which they arise.

Tax Treaties in force:

1. Treaty with Poland, in effect as of 1 January, 1995
2. Treaty with Romania, in effect as of 1 January, 1995
3. Treaty with Malaysia, in effect as of 1 January, 1995
4. Treaty with Hungary, in effect as of 1 January, 1996
5. Treaty with Turkey, in effect as of 1 January, 1997
6. Treaty with the Czech Republic, in effect as of 1 January, 1997
7. Treaty with the Russian Federation, in effect as of 1 January, 1998
8. Treaty with Macedonia, in effect as of 1 January 1999
9. Treaty with Croatia, in effect as of 1 January, 1999
10. Treaty with Italy, in effect as of 1 January, 2000
11. Treaty with Bulgaria, in effect as of 1 January, 2000
12. Treaty with Sweden, in effect as of 1 January, 2000
13. Treaty with Norway, in effect as of 1 January, 2000
14. Treaty with Greece, in effect as of 1 January, 2001
15. Treaty with Malta, in effect as of 1 January, 2001
16. Treaty with Switzerland, in effect as of 1 January, 2001
17. Treaty with Moldova, in effect as of 1 January, 2004
18. Treaty with Belgium, in effect as of 1 January, 2005
19. Treaty with China, in effect as of 1 January, 2006
20. Treaty with France, in effect as of 1 January, 2006
21. Treaty with the Netherlands, in effect as of 1 January, 2006
22. Treaty with Egypt, in effect as of 1 January, 2006
23. Treaty with Kosovo, in effect as of 1 January, 2006
24. Treaty with Serbia in effect as of 1 January, 2006
25. Treaty with Montenegro in effect as of 1 January, 2006
26. Treaty with Slovenia, in effect as of 1 January, 2010
27. Treaty with Austria, in effect as of 1 January, 2009
28. Treaty with Latvia, in effect as of 1 January, 2009

29. Treaty with South Korea, in effect as of 1 January, 2009
30. Treaty with Bosnia and Herzegovina, in effect as of 1 January, 2009
31. Treaty with Spain, in effect as of 4 May, 2011
32. Treaty with Ireland, in effect as of 1 January, 2012
33. Treaty with Germany, in effect as of 1 January, 2012
34. Treaty with Singapore, in effect as of 1 January, 2012
35. Treaty with Qatar, in effect as of 1 January, 2013
36. Treaty with Kuwait, in effect as of 1 January, 2014
37. Treaty with UK, in effect as of 1 January, 2014.

## INDIRECT TAXES

### *Value Added Tax*

All individuals and legal entities making taxable supplies and having an annual turnover in excess of ALL 5 million are subject to and must register for VAT. Similarly, individuals and legal entities that operate in the import/export sector must also register. So too must lawyers, notaries, doctors, architects, auditors, accountants, etc., and taxpayers conducting business activities in the hotel sector, irrespective of their annual turnover.

Taxable transactions include the supply of goods and services in Albania by a taxable person, and the import of goods into Albania by any person. The following kinds of transaction are also taxable:

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

The taxable amount is the value of the goods and services supplied, excluding VAT. The taxable amount for imported goods includes transportation and insurance costs, import costs and any applicable taxes, duties or tariffs.

The following supplies are not subject to VAT:

- Lease and sale of land;
- Sale of buildings;
- Lease of buildings when the lease duration exceeds two months (except accommodation in hotels and vacancy residences), unless the lessor opts for VAT applicability;

- Financial services;
- Certain services rendered by not-for-profit organizations;
- Educational services rendered by private and public educational institutions;
- Postal services;
- Certain supplies in connection with oil exploration (upon conditions);
- Supply of newspapers, magazines and books of any kind;
- Newspaper printing services, as well as the supply of advertising when rendered from electronic and printed media;
- Supply of services relating to gambling activities, casinos and horse racing venues;
- Supply of services performed outside Albania by a taxable person whose place of activity or residence is in Albania;
- Donation of goods made to alleviate natural or social disasters under certain conditions;
- Import and local supply of iron and cement used as raw materials in the construction of hydropower plants;
- Import of machinery and equipment used in the implementation of investment contracts with a value equal to or higher than ALL 50 million;
- Import of machinery and equipment used in the inward processing industry and agribusiness sectors regardless of investment value;
- Import of machinery by persons subject to the local tax on small businesses, for the purpose of performing production activity.
- Supply of medicines and health services provided by public and private institutions (effective from 1 April, 2014).

The VAT rate is 20%. Exports of goods and supplies relating to international transport and telecommunications are zero-rated.

### *Application of VAT Deferred Scheme*

The VAT deferred scheme for machinery and equipment, imported by the taxpayer for the purposes of any business activity applies for up to 12 months from the moment of importation. The VAT may be deferred for a term beyond the 12 months period subject to approval by Minister of Finance when certain requirements are met. No guarantee is required for the deferred scheme to apply.

## *Application of Reverse Charge System on the Import of Services*

Where services are imported, the customer (the beneficiary of the services) is considered to have supplied the services to itself, in the course of its business activity. In such a case, the reverse charge system must be applied by the customer.

## LOCAL TAXES

### *Tax on Real Estate*

All Albanian and/or foreign individuals and legal entities which own real estate property consisting of building or agricultural land are subject to tax on buildings and agriculture land.

### *Tax on Buildings*

This tax is payable in respect of each square meter of a building including underground floors, calculated with respect to the portion of the year that the building has been owned.

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

Tax on buildings varies depending on the district where the building is located. In Tirana and Durres districts the tax per square meter is:

- For buildings used for commercial purposes, ALL 400;
- For buildings used for residential purposes, ALL 15 or ALL 30 (depending on the year of the building's construction); and
- For other buildings, ALL 100.

The tax on buildings in other districts is lower. Such tax applies to buildings (either owned or used) in territories classified as tourist villages. The tax rate for these buildings is ALL 400 per sq. meter.

The property tax for the second residential house is the double of the tax rate applied in the district where the house is located.

### *Tax on Agricultural Land*

This tax is paid in respect of each hectare of agricultural land. It varies depending on the land's category and the district where the land is located.

### *Tax on the Transfer of Ownership Rights to Real Estate*

This tax applies in the event of the transfer of the ownership title to all real estate properties. It is payable by the person who transfers the ownership title. Individuals

are not subject to this tax, since they pay tax on personal income deriving from the transfer of any ownership title (see Chapter 6).

In Tirana, buildings used for business purposes are taxed at ALL 2,000 per square meter and buildings which are used for residential purposes are taxed at ALL 1,000 per square meter. The tax is lower in other districts. The tax payable on the transfer of the ownership title to real estate property, other than buildings, is 2 % of the sale price.

Donors of real estate property to governmental entities, religious institutions or not-for-profit organizations are exempt from the tax on the transfer of an ownership title, but are still liable to pay the fee to which the tax agent is entitled (3% of the tax amount).

### *Hotel Residence Tax*

The hotel residence tax is payable by all persons who stay in a hotel, whether Albanian or foreign and amounts to 5% of the hotel bill. It is calculated and withheld by the hotel administration. The hotel administration must remit the total amount of hotel residence taxes for a given month to the respective municipality by the fifth day of next month.

### *Tax on New Constructions*

This tax is levied on the value of a new investment at a rate between 2% and 4% in Tirana and between 1% and 3% in other municipalities. Exceptionally, for infrastructure projects such as the construction of national roads, ports, airports, tunnels, dams or, energy infrastructure, the tax is 0.1% of the investment value (which includes the value of equipment and machinery for the project), but not less than the cost of rehabilitating any damaged infrastructure to be replaced.

### *Taxes on Small Business*

Entities that qualify as small businesses having an annual turnover up to ALL 8 million are subject to the simplified profit tax on small businesses. A fixed tax of ALL 25,000 is payable from the businesses having an annual turnover up to ALL 2 million (paid within the first six months of the year

For businesses having an annual turnover between ALL 2 million to ALL 8 million the tax rate is 7.5% of the profit but not less than ALL 25,000 per year. The taxes are prepaid quarterly, on 20 April, 20 July, 20 October and 20 December based on the annual tax return of the previous year. The final reconciliation of the tax is made by 10 February of the year following the tax period.

### *Excise Tax*

Excise tax is payable in respect of a certain number of goods such as tobacco, alcoholic drinks, energy drinks, energy products, coffee, piles, tires, fireworks and incandescent lamps.

Tax is levied as stamp duty either at a percentage rate or per unit, depending on the commodity. Table 19 shows some of the applicable rates.

Table 10

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Cigars and cigarillos containing tobacco	ALL 2,500 per kg
Cigarettes	ALL 3,500 per 1000 cigarettes
Beer less than 200,000 hectoliter	ALL 310 per hectoliter
Beer more than 200,000 hectoliter	ALL 710 per hectoliter
Wine	ALL 3,000 up to ALL 10,000 per hectoliter
Light and heavy oils	ALL 37 up to 50 per litre
Roasted coffee	ALL 140 per kg
Pneumatic tires	ALL 20 to 100 per kg

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### *Customs Duties*

Customs duties are charged according to imported goods' classification in the combined nomenclature. For certain imported items minimum customs values are applied.

Major exemptions are available to:

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

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

### *Other National and Local Taxes*

There are a variety of other national and local taxes and fees. These include, but are not limited to, carbon and circulation taxes for fuel, port charges, consular fees, taxes on minerals, an environmental tax, a billboard tax and an advertising tax.

## TAXATION OF INDIVIDUALS

### GENERAL

Under Albanian law, all individuals are liable for income tax. While residents pay tax on their worldwide income, non-residents pay tax only on income generated within the territory of Albania.

### RESIDENCE

Individuals having their habitual residence in Albania or who reside in Albania for an aggregate period of more than 183 days in any tax year are considered Albanian tax residents.

### TAXABLE INCOME

Tax is calculated separately for each category of income. Personal income tax is levied on the following categories of income:

- Wages, salaries and other compensation derived from employment relations (such income includes basic pay, overtime pay, bonuses and any other payment for the performance of employment);
- Dividends and profit sharing from partnerships;
- Capital gains derived from the sale of shares. The taxable base is the difference between the sale price and the purchase price or nominal value of the shares;
- Interest from bank deposits and other interest bearing securities;
- Income from copyright royalties;
- Income from loans and leases, excluding where this income is generated through commercial activity (where the income is instead declared in the tax return of the recipient);
- Income from transfer of ownership of real estate. The taxable base is the difference between the sale price and the purchase price of the property;
- Income from lotteries and gambling;

- Cash contributions from shareholders to pay for newly issued shares of the company's share capital, if no official documents are provided to prove the origin of the contributions;
- Other Albanian sourced income (i.e. any other item of income that is not explicitly exempt).

## TAX – EXEMPT INCOME

- Allowances received from social and health insurance schemes, including pensions;
- Contributions paid by employers towards their employees' voluntary life and health insurances plans;
- Scholarships;
- Compensation received with regard to expropriation;
- Income of individuals who enjoy diplomatic status;
- Benefits in kind received from employees;
- Damage relief and litigation costs granted in favor of an individual upon a final court decision;
- Income paid by state institutions for achievements in science, sport and culture.

## PERSONAL INCOME TAX RATES

Wages, salaries and other compensation for employees are taxed as follows:

Table 11

Monthly taxable income	Rate	
Over (ALL)	Until (ALL)	
0	30,000	nil
30,001	130,000	13 percent of the amount over ALL 30,000
130,001	and above	ALL 13,000 + 23 percent of the amount over ALL 130,000

For other taxable income, a flat rate of 10% is applied.



## PERSONAL INCOME TAX DECLARATION

All resident and non-resident persons whose gross annual income reaches or exceeds ALL 2 million must complete and submit an annual income tax declaration. The declaration must be filed with the Tax Directorate, for the region in which the individual resides by 30 April of the year following the tax period for which the declaration is made.

If any personal income tax is due (calculated as the difference between the final tax amount and any tax prepaid and/or withheld during the tax period) it is payable by the same date. If the individual has paid too much tax during the tax period, the difference will be either reimbursed to the taxpayer or used as a prepayment for the following year's personal income tax.

If they wish to take advantage of the "deductible expenses scheme", persons having a gross annual income not exceeding ALL 1,050,000 may opt to submit an annual income tax declaration. Under the scheme, the following expenses are recognized as deductible:

- a) voluntary contributions to a voluntary pension fund and voluntary contributions towards life and health insurance;
- b) bank interest on loans expressly granted for the person's own education or for that of their children or others over whom they have guardianship;
- c) medical expenses for that person or their children or any persons over whom they have guardianship, to the extent that these are not covered by the mandatory health insurance scheme, in pursuance to the rules set forth in the decision by the Council of Ministers;
- d) tax on building paid during the year.

## SOCIAL AND HEALTH INSURANCE CONTRIBUTIONS

Only a part of gross monthly salary, between the floor of ALL 19,406 and a ceiling of ALL 97,030 per month, is subject to mandatory social contributions, while the basis for the calculation of the mandatory health contributions is the gross salary of the insured employee. Both the employer and the employee pay social and health insurance contributions as per the rates shown in the Table 12.

Self-employed persons must also pay social insurance and health contributions, as per the rates shown in the table 12. The basis of the calculation of the mandatory health insurance for them is the double of the minimum salary.

Table 12

	Social Insurance	Health Insurance
Paid by employer	15%	1.7%
Paid by employee	9.5%	1.7%
Paid by self-employed persons	23%	3.4%



## LABOR LAW

### GENERAL ISSUES

Employment relations in the Republic of Albania are mainly governed by Law No. 7961, dated 12 July 1995 “On the Labor Code of the Republic of Albania”, as amended (hereinafter referred as the “Albanian Labor Code”), Law No. 7703, dated 11 May 1993 “On Social Insurance in the Republic of Albania” as amended (hereinafter referred to as the “Law on Social Insurance”) and other normative acts issued by the Albanian government to regulate various aspects of employment relations in response to rapid social and economic change.

#### *Working Hours*

As per the Albanian Labor Code, regular daily working hours may not exceed eight hours, while regular weekly working hours should not exceed 40 hours. In some cases, when required and approved by the employer, the employee may perform overtime work, but the total time worked in any week must never exceed 50 hours. Overtime is therefore effectively capped at 10 hours per week.

The Albanian Labor Code applies restrictions with regard to the kinds of tasks that may be performed at night, by minors (those under 18) and by pregnant women.

#### *Compensation for Overtime Work and Work during Public Holidays and Weekends*

Overtime work is compensated by way of additional monetary payment or time off in lieu.

Monetary compensation is paid at a rate 25% above the regular salaried hourly rate. Similarly, time off in lieu will be 25% longer than the overtime performed and should be given within two months of the overtime having been worked.

For overtime work performed during public holidays or on weekend, the monetary compensation shall be paid at a rate 50% above the regular salaried hourly rate and similarly, time off in lieu will be 50% longer than overtime performed.

#### *Retirement Age*

Pursuant to the Law on Social Insurance the retirement age is 65 for men and 60 for women.

## *Minimum Salary*

According to the Decision of the Council of Ministers No. 573, dated 3 July 2013 “On determination of the minimum wage in Albania” a new basic minimum monthly salary is applicable from 1 July 2013. As per the above Decision, the basic minimum monthly salary is now ALL 22,000. The basic minimum monthly salary is paid in respect of 174 hours per month carried out during normal working hours.

## WORKING CONDITIONS

### *Obligations of the Employer*

The employer must observe its employees’ fundamental rights. The employer must protect its employees’ personality; ensure that the working premises are clean and will not harm their employee’s health; refrain from taking control of the personal goods of the employee; keep an employees register; make available to employees a copy of the Labor Code; be provided with administrative authorization; keep all necessary documentation regarding accidents that occur in the course of work; ensure adequate air ventilation in the work premises; undertake proper measures to avoid loud sounds and vibrations in the place of work; maintain the work equipment and the machinery; ensure the employee has all the necessary equipment to perform their duties; make available to the employee food and water during working hours; and keep first aid equipment on the work premises.

### *Obligations of the Employee*

The Albanian Labor Code places various obligations on the employee including duties of loyalty to the employer; to perform his/her work carefully and personally; to return to the employer any equipment provided during the employment term; to indemnify the employer for losses incurred as a result of the employee’s negligent or fraudulent behavior.

At the termination of the employment relationship the parties may enter into a non-competition agreement for a term of no longer than one year. In such a case, the employer must pay to the employee compensation of at least 75% of the salary he/she would have earned in that period if the employment relationship would had not been terminated.

### *Anti – discrimination*

Pursuant to the Albanian Labor Code, any act constituting discrimination against an employee based on ethnicity, race, religion, age or political conviction is prohibited. However, precautionary measures or requirements in respect of a given function adopted by an employer and permitted under the Albanian Labor Code or under other normative acts may not constitute discriminatory acts.

## EMPLOYMENT CONTRACTS

Employment contracts may be agreed or modified verbally or in writing between the employer and the employee. In the case of a verbal contract, the employer should draft a written document reflecting the agreement within 30 days.

Non-fulfillment of this obligation will not affect the validity of the contract, but will make the employer liable to pay penalty issued by the Labor Inspectorate.

As a general rule, under to the Albanian Labor Code, employment contracts are valid for an unlimited term. However, an employment contract may be agreed for a limited term if the work to be carried out is temporary in nature and is to be performed over a determined period of time.

Under the Albanian Labor Code, an employment contract must include at least the following:

- a) identity of the parties;
- b) place of work;
- c) general job description;
- d) commencement date;
- e) term, where this is limited;
- f) extent of paid leave;
- g) notice period for employment termination purposes;
- h) salary details and payment date;
- i) normal weekly working hours;
- j) the applicable collective contract.

### *Termination of Employment Contracts*

Where the employee and the employer have entered into an employment contract for a determined term, such contract shall terminate at the end of its term, without additional notice. When, after the expiry of the defined term, a contract is tacitly extended it will be treated as a contract of unlimited term. Hence, its termination shall be subject to the procedures for terminating unlimited term contracts set forth in the Albanian Labor Code.

When the parties have entered into one or more contracts of limited term for an employment period which lasts at least three years, the non-renewal of the contract by the employer is treated as termination of a contract of unlimited term.

Pursuant to the Albanian Labor Code the first three months of employment will be considered as a probation period. During the probation period each party may terminate the employment agreement by giving the other party at least five days' notice.

In addition, terminating employment after the probation period will be subject to specific procedures and requirements determined by the Albanian Labor Code.

In this context, before terminating of any employment contract, the employer should deliver a prior notification to the employee indicating its intention to terminate the employment contract and the reasons for such termination. No less than 72 hours after the delivery of the notice a meeting must take place in order to discuss the intention to terminate the employment contract. The employee must be notified of the decision to terminate the employment contract no less than 48 hours after the meeting and no more than one week after such meeting.

If the employer fails to comply with such termination procedure he/she, is liable to pay to the employee a penalty equal to two months salary.

The employment contract with unlimited term shall be considered terminated after (a) notice of termination has been delivered to the employee, and (b) once the subsequent notice period has elapsed, such period being as set out below.

Pursuant to the Albanian Labor Code, each party must give at least the following notice to the other party to terminate an unlimited term employment contract:

- One month in the first year of employment;
- Two months for between two and five years of employment;
- Three months for more than five years of employment.

Notwithstanding the above, the parties may agree in writing to alter the above notice periods provided that, for employment periods of up to six months, the notification period may not be less than two weeks, whilst for employment periods exceeding six months, such period may not be less than one month. An employment contract may be terminated with immediate effect for reasonable cause. A reasonable cause as per the Albanian Labor Code would be any serious circumstances that do not allow for the continuation of employment. However, the termination procedure stipulated in the Albanian Labor Code must still be followed by both parties.

Where termination for unfair reasons, such as race, color, sex, age, civil status, pregnancy, religious belief, etc., or on the basis of legal proceedings issued by either party, or the employee's membership of an employees' union, then the employer may be liable to pay the employee up to one year's salary.

Further, pursuant to the Albanian Labor Code, the employee is entitled to a seniority bonus where "...the employment contract is terminated by the employer and the employee has served at least three years". The employee shall not receive the seniority bonus where the employment contract is terminated with immediate effect for reasonable cause. The seniority bonus will be not less than 15 day's salary for each year of employment.

### *Collective Dismissal*

As per the Albanian Labor Code, collective dismissal is the termination of employment, on the initiative of the employer, for reasons unrelated to the employee, where

the number of employees dismissed, within a period of 90 days, is at least 10 for enterprises with up to 100 employees, 15 for enterprises with 101 to 200 employees, 20 in enterprises with 201 to 300 employees, and 30 in enterprises with more than 300 employees.

The employer intending to undertake a collective dismissal must notify its employees in writing. The notice must be published in the working premises visible to the employees and it must indicate the following:

- The reasons for the termination;
- The number of employees to be dismissed;
- The number of employees currently employed;
- The period during which it is foreseen that the collective dismissals will take place.

A copy of such notice must also be delivered to the Ministry of Labor, Social Welfare and Youth.

Unless the employer indicates a longer period, within 20 days of the date of the above notification, the employer should meet and discuss with the employees subject to the collective dismissal. The scope of this meeting is to take any eventual measures to avoid or reduce the number of dismissed employees and to manage the consequences of any collective dismissal.

At the conclusion of these discussions, the employer should notify the Ministry on the decision. In case no agreement is reached between the employer and the employees, the Ministry will help the parties to reach an agreement within 20 days (unless the employer requests a longer period) from the date of the notifying the Ministry. In any case, the Ministry may not impede a collective dismissal.

Upon termination of the above mentioned period, the employer will give notice to the employees of the termination of their employment to terminate at the expiry of the relevant notice period.

Furthermore, employees dismissed through the collective dismissal procedures receive a seniority bonus if they have served the employer for a period of at least three years.

## HOLIDAYS/PAID LEAVE (ANNUAL AND OTHER LEAVE)

### *Annual Leave*

The employee is entitled to annual leave of at least four calendar weeks. Such leave must have been taken by no later than three months after the start of the following year.

## *Paid Leave*

The employee is entitled to five days of paid leave in the event of their marriage or the death of a direct ascendant and/or descendant. In addition, 10 days of unpaid leave may be granted to the employee in the event of severe illness of an immediate family member supported by a medical certificate.

## *Illness*

If the employee cannot work because of illness, the employer will pay him not less than 80% of his/her salary for the initial 14 days period not covered by Social Insurance.

The illness should be supported by a medical certificate and, if required by the employer, the employee will undergo a medical examination by a doctor appointed by the employer.

Notwithstanding the above, the employee loses his/her rights against the employer when refusing without cause to undergo a medical examination requested by the employer.

## *National Holidays*

In Albania the following Public Holidays are observed:

New Year (1 and 2 January)

Summer Day (14 March)

Nevruz Day (22 March)

Easter (two days)

Workers' Day (1 May)

Bajram (two days)

Mother Theresa Day (19 October)

National Independence (28 and 29 November)

Youth Day (8 December)

Christmas (25 December)

Should a Public Holiday fall on the weekend, the next working day will be taken off as a public holiday.



## ACQUISITION AND REGISTRATION OF IMMOVABLE PROPERTY

### REGISTRATION OF IMMOVABLE PROPERTY IN ALBANIA

Based on Law No. 33/2012 “On the Registration of Immovable Property” immovable property should be registered in the immovable property register. This register is open to the public and is administrated by local Immovable Property Registration Offices. The local Immovable Property Registration Offices report to the Immovable Property Registration Office which is governed by a Board of Directors and the Chief Registrar.

The register of immovable property includes all information related to the immovable property identity of its owner, the boundaries of the property, the date of registration and the relative deed of ownership acquisition and plans that show the location of property. In addition, any mortgage, easement, usufruct, right to use or any other right connected to or deriving from the immovable property that is transferred to any third party, should be recorded in the register. Any contract or other instrument effecting transactions involving an immovable property should be filed with the competent Immovable Properties Registration Office within 30 days of its execution. The Immovable Properties Offices operate on a first come, first served basis, principle, and thus the time of filing a transactional document with the said Offices determines the priority of its registration. The Immovable Properties Registration Office will issue the relevant certificate (of ownership, usufruct, easement, etc.) at the request of the owner or holder of the relevant right.

An immovable property that is registered for the first time is subject to temporary registration. The competent Immovable Properties Registration Office issues a temporary registration for 45 consecutive days. During this period any interested person can file with the Office any claim or request for the correction of mistakes. No claim submitted after the expiry of the temporary period shall be considered. If no claim is made within the temporary period or if any claim submitted has been settled in agreement between the parties, the said property will be classified as permanently registered. Where there is a claim and the parties fail to agree a solution, the competent court shall have jurisdiction to rule on the dispute. The registrar shall record in the register the nature of the dispute and indicate the court that is hearing the case.

The Immovable Properties Offices keep separate registers for the registration of construction/development permits and buildings under construction.

## RESTRICTIONS ON ACQUISITION OF LAND BY FOREIGNERS

Under Law No. 7980, dated 27.07.1995 “On the Acquisition of Plots”, as amended, foreign individuals/entities may acquire and own land which can be built on, as long as it is proven that they have invested in the land not less than three times its value. The value of the land is determined by the Council of Ministers. Until such investment is made, the foreign individual/entity may use the land under a lease contract. Foreign individuals/entities may acquire land by establishing a company under the Albania law, which can then freely acquire and own any type of immovable property.

## GOVERNMENT CONTROLS

### COMPETITION LAW

Albanian's competition protection system is governed by Law No. 9121 "On the Protection of Competition" (Competition Law), which entered into force on 1 December 2003. It is designed to harmonize the Albanian competition system with the "*acquis communautaire*". Under this framework a new law amending the current Competition Law was recently adopted. The Albanian Competition Authority ("ACA") is the authority entitled to perform an ex ante and ex post investigations into the operations in the relevant market from a competition law perspective.

The pillars of the Albanian Competition Law, which mainly follows EU competition legislation, are the prohibition of restrictive agreements, abuses of dominant positions and concentrations leading to the creation or reinforcement of a dominant position, when such are carried out by "undertakings".

For the purposes of this law, any domestic or foreign natural persons and public legal or private legal entities, engaged in a commercial activity will be considered to be undertakings, provided that their activity has an impact on the national market.

### AGREEMENTS RESTRICTING COMPETITION

Competition Law prohibits agreements that have as their object the prevention, restriction or distortion of competition in the market, unless they meet certain conditions to qualify for the exemption granted by the ACA, either individually or on a category basis. In addition, the Competition Law includes the *de minimis* rule pursuant to which those agreements which are considered to not significantly affect competition in the market may be exempted from the prohibition.

Undertakings have an obligation to notify restrictive agreements to the ACA, which will then decide whether the said agreements will be considered prohibited under the Competition Law.

### CONTROL OF CONCENTRATIONS

The provisions of the Competition Law establish that the concentrations of undertakings involving a lasting change of control as a result of (i) the merger of two or more undertakings or parts of undertakings independent of each other; (ii) the acquisition of direct or indirect control by (a) one or more natural persons (individuals) that who also have control of at least one other undertaking or (b) one or more other undertakings, or part of these undertakings, whether by purchase of shares or assets, by

contract or by any other legal means; (iii) the acquisition of direct or indirect control of one or more undertakings or parts of such undertakings; (iv) the creation of a joint venture that does not have as its object or effect the coordination of competing activities between two or more independent undertakings, shall be notified to the Albanian Competition Authority for its authorization if in the financial year preceding the concentration, the notification thresholds were met. The notification must take place within 30 days of the conclusion/signature of the relevant agreement (merger, acquisition of control, or creation of a joint venture) and announcement of any public bid.

The notification thresholds are met where (a) the combined worldwide turnover of all the participating undertakings exceeds ALL 7 billion (approximately, EUR 50 million) and the domestic turnover of at least one participating undertaking exceeds ALL 200 million (approximately, EUR 1,4 million); or (b) the combined domestic turnover of all the participating undertakings exceeds ALL 400 million (approximately, EUR 2,8 million) and the domestic turnover of at least one participating undertaking exceeds ALL 200 million (approximately, EUR 1,4 million).

The Competition Law outlines preliminary and in-depth procedure for ACA's assessment of concentrations. In the preliminary proceedings, the ACA will examine the notification in order to determine whether the concentration "reveals signs of substantial restriction of the competition in the market or in a part of the market, especially, as a result of the creation or strengthening of the dominant position", while in the in-depth proceedings, ACA will assess whether the concentration substantially restricts competition in the market or in a part of the market, especially, as a result of the creation or strengthening of the dominant position.

## ABUSE OF DOMINANT POSITION

A dominant position is not prohibited per se, but rather the abuse of such a dominant position. The Law recognizes the existence of single (where one undertaking is involved) and collective (where several more undertakings are involved) dominant position. A dominant position is defined as an economic power held by one or more undertakings that enable it or them to impede the effective competition in the market meaning it or they can act, with regard to supply and demand, independently of other participants in the market, such as: competitors, clients and consumers.

Competition Law provides a non exhaustive list of the criteria to be assessed in establishing whether there exists a dominant position or a prohibited abusive behavior.

Indicatively, the fixing of unfair sale or purchase prices and the adoption of discriminatory practices are considered to be abusive behavior.

## APPENDIX A

### USEFUL ADDRESSES IN TIRANA

Country Code: **355**

Tirana City Code: **4**

General Information Tel: **124**

Ambulance Tel: **+ 355 4 2223148**

Fire Brigade Tel: **128/+ 355 4 2223 333**

Police Stations Tel: **129/+ 355 4 2224445/2223322/2224529/2366826**

Roadside Assistance Tel: **+ 355 4 2363423**

Radio Taxis Tel: **+ 355 4 2355555/2259999/2244444/377777**

Rinas International Airport Tel: **+ 355 4 2381600**

### Main Hotels

#### **Sheraton**

Tirana Hotel & Towers Italia Square, Tirana, Albania

Tel: + 355 4 2274707

Fax: +355 4 2274711

E-mail: [reservations.tirana@sheraton.com](mailto:reservations.tirana@sheraton.com)

#### **Tirana International Hotel**

Skenderbej Square, Tirana, Albania

Tel: + 355 4 2234185

Fax: +355 4 2234188

E-mail: [hotel@hoteltirana.com.al](mailto:hotel@hoteltirana.com.al)

**Rogner Hotel Europapark**

Deshmoret e Kombit Blvd., Tirana, Albania

Tel: + 355 4 2235035/2235034

Fax: +355 4 2235050

E-mail: info@tirana.rogner.com

**Grand Hotel Tirana**

Ismail Qemali Str., No. 11, Tirana, Albania

Tel: +355 4 2253219/2253220

Fax: +355 4 2247996

E-mail: info@grandhoteltirana.com

**Diplomat Hotel**

Muhamet Gjollësja Str., Tirana, Albania

Tel: +355 4 2233151/2258468

Fax: +355 4 2230457

E-mail: diplomat@icc-al.org

**Mondial Hotel**

Muhamet Gjollësja Str., Tirana, Albania

Tel: +355 4 2232372/2258121

Fax: +355 4 2258122

E-mail: hotelmondial@hotelmondial.com.al

**President Hotel**

Ibrahim Rugova Str., Tirana, Albania

Tel: +355 4 2259574/2259575

E-mail: carlsberg@abissnet.com.al

**Chateau Linza**

Qesarak, Dajti Mountain, Tirana, Albania

Tel: +355 4 2362906/2362913

E-mail: chlinza@interalb.net

## Restaurants

### **Piazza**

Ded Gjo Luli Str., Tirana, Albania

Tel: +355 4 2230706

### **Metropolitan**

Italia Square, Sheraton, Tirana, Albania

Tel: +355 4 2274707

### **Gloria**

Qemal Stafa Str., Villa No. 40, Tirana, Albania

Tel: +355 4 2247731/2222698

### **Berlin**

Vaso Pasha Str., No. 7, Tirana, Albania

Tel: +355 4 2273863

### **Vinum**

Qemal Stafa Str., No. 60, Tirana, Albania

Tel: +355 4 2230822

### **Sky Club**

Ibrahim Rugova Str., Sky Tower, Tirana, Albania

Tel: +355 4 2221666 ext. 143

### **Casa di Pasta**

Ibrahim Rugova Str., Rinia Park, Tirana, Albania

Tel: +355 4 2251175/2251179

### **Tavernetta**

Ibrahim Rugova Str., Tirana, Albania

Tel: +355 4 2254854

## APPENDIX B

### LIST OF BANKS AND OTHER FINANCING AGENCIES

#### **Bank of Albania**

Skenderbej Square, No. 1, Tirana, Albania

Tel: +355 4 2222152

E-mail: public@bankofalbania.org

#### **Albanian Financial Supervisory Authority**

Dora D'istria Str., P.O. Box 8363, Tirana, Albania

Tel: +355 4 2251355/6

E-mail: amf@amf.gov.al

#### **Tirana Stock Exchange**

Dora D'istria Str. No. 2, P.O. Box 274/1, Tirana, Albania

Tel: +355 4 2271849

Email: tseinfo@abcom-al.com

#### **Alpha Bank, Tirana Branch**

Blvd. Zogu i Pare, No. 47, Tirana, Albania

Tel: +355 4 2240478/2240479

E-mail: tiranabranch@alpha.gr

#### **Intesa SanPaolo Bank**

Ismail Qemali Str., No. 27, P.O. Box 8319, Tirana, Albania

Tel: +355 4 2276000/2248762

E-mail: info@intesasanpaolobank.al

#### **Societe Generale Albania**

Blvd. Deshmoret e Kombit Blvd., Twin Towers, Tower 1, 9th Floor, Tirana, Albania

Tel: +355 4 2280442/2280443

E-mail: bp.info@socgen.com



**Banka Kombetare Tregtare**

Blvd. Zhan D'Ark, Tirana, Albania

Tel: +355 4 2250955

E-mail: info@bkt.com.al

**Credins Bank**

Ismail Qemali Str., No. 21, Tirana, Albania

Tel: +355 4 2234096

E-mail: info@bankacredins.com

**Credit Bank of Albania**

Perlat Rexhepi Str., Al-Kharafi Administrative Building, Tirana, Albania

Tel: +355 4 2247535

E-mail: creditcba@icc-al.org

**Credit Agricole Bank**

Kavaja Str., No. 59, Tirana, Albania

Tel: +355 4 2258755

E-mail: headoffice@emporiki.com.al

**First Investment Bank**

Blvd. Deshmoret e Kombit Blvd., Twin Towers, No. 2, 14th -15th floor, Tirana, Albania

Tel: +355 4 2276702/2276703

**International Commercial Bank**

Murat Toptani Str., Tirana, Albania

Tel: +355 4 2256254/2254372

E-mail: icba@icc-al.eu.org

**National Bank of Greece**

Zogu i Pare Blvd., No. 72, Tirana, Albania

Tel: +355 4 2233621

**ProCredit Bank**

Sami Frasheri Str., Tirana, Albania

Tel: +355 4 2271275/2240777

E-mail: info@procreditbank.com.al

**Raiffeisen Bank Albania**

Kavaja Str., No. 44, Tirana, Albania

Tel: +355 4 2381000/2381381

E-mail: info@raiffeisen.al

**Tirana Bank**

Zogu i Pare Blvd., No. 55/1, Tirana, Albania

Tel: +355 4 2233441/2233443

**Union Bank**

Zogu i Pare Blvd., (near the Train Station), Tirana, Albania

Tel: +355 4 2250653

E-mail: info@unionbank.al

**United Bank of Albania**

Deshmoret e Kombit Blvd., No. 8, Tirana, Albania

Tel: +355 4 2228387

E-mail: UBA@albaniaonline.net

**Financing Agencies****Albanian-American Enterprise Fund**

Deshmoret e 4 Shkurtit Str., Green Park Complex, Tower 2, 11th Floor, Tirana, Albania

Tel: +355 4 2222408

**Albanian Guarantee Fund**

Dora D'Istria Str., (in front of the Law Faculty), Ap No. 3/3, Tirana, Albania

Tel: +355 4 2247047/2247048

E-mail: aga@icc.al.eu.org

## APPENDIX C

### International Organizations, Government Institutions, Embassies

#### **World Bank**

Ibrahim Rugova Str., No. 34, Tirana, Albania

Tel: +355 4 2280650/2280651

[www.worldbank.org.al](http://www.worldbank.org.al)

#### **International Monetary Fund (IMF)**

Deshmoret e Kombit Blvd., Twin Towers, Tower 1, 5th Floor, Tirana, Albania

Tel: +355 4 2280400

E-mail: [imf@albmail.com](mailto:imf@albmail.com)

[www.imf.org/tirana](http://www.imf.org/tirana)

#### **European Bank for Reconstruction and Development (EBRD)**

Abdi Toptani Str., Torre Drin, 4th Floor, Tirana, Albania

Tel: +355 4 2232898/2253099

#### **United Nations Development Program (UNDP)**

Skenderbej Str., Gurten Building, 2nd Floor, Tirana, Albania

Tel: +355 4 2400721/2400722/2400723/2400724

#### **United States Agency for International Development (USAID)**

Elbasani Str., No. 103, Tirana, Albania

Tel: +355 4 2247285

#### **International Finance Corporation (IFC)**

Ibrahim Rugova Str., No. 34, Tirana, Albania

Tel: +355 4 2280650/2280651

## Government Institutions

### **Council of Ministers**

Deshmoret e Kombit Blvd., No. 1, Tirana, Albania

Tel: 0800 0808/0909

[www.keshilliministrave.al](http://www.keshilliministrave.al)

### **Ministry of Foreign Affairs**

Gjergj Fishta Blvd., No. 6, Tirana, Albania

Tel: +355 4 2233493/2364090 ext. 79159

[www.punetejashtme.gov.al](http://www.punetejashtme.gov.al)

### **Ministry of Interior**

Tel: 0800 9090

[www.punetebrendshme.gov.al](http://www.punetebrendshme.gov.al)

### **Ministry of Health**

Blvd. Bajram Curri, No. 1, Tirana, Albania

Tel: +355 4 2362937/2364908

[www.moh.gov.al](http://www.moh.gov.al)

### **Ministry of Defense**

Dibra Str., P.O. Box 2423, Tirana, Albania,

Tel: +355 4 2226601/2226602

[www.mod.gov.al](http://www.mod.gov.al)

### **Ministry of European Integration**

Papa Gjon Pali II Str., No. 3, P.O. Box 8302, Tirana, Albania

Tel: 0800 0809

[www.integrimi.gov.al](http://www.integrimi.gov.al)

### **Ministry of Finance**

Deshmoret e Kombit Blvd., No. 3, Tirana, Albania

Tel: +355 4 2230803

[www.financa.gov.al](http://www.financa.gov.al)

**Ministry of the Economic Development, Trade and Entrepreneurship**

Deshmoret e Kombit Blvd., No. 1, Tirana, Albania

Tel: +355 4 2223119/2223455

[www.ekonomia.gov.al](http://www.ekonomia.gov.al)

**Ministry of Justice**

Blvd. Zogu i Pare, Tirana, Albania

Tel: +355 4 2 259 388/89/90/91/92

[www.drejtesia.gov.al](http://www.drejtesia.gov.al)

**Ministry of Transportation and Infrastructure**

Deshmoret e Kombit Blvd., Tirana, Albania

Tel: +355 4 2227940

[www.transporti.gov.al](http://www.transporti.gov.al)

**Ministry of Education and Sports**

Duresi Str., No. 23, Tirana, Albania

Tel: +355 4 2230289

[www.arsimi.gov.al](http://www.arsimi.gov.al)

**Ministry of Youth and Social Welfare**

Kavaja Str., 1001, Tirana, Albania

[www.sociale.gov.al](http://www.sociale.gov.al)

**Ministry of Agriculture Rural Development and Water Management**

Skenderbej Square, No. 2, Tirana, Albania

Tel: +355 4 2225105

[www.bujqesia.gov.al](http://www.bujqesia.gov.al)

**Ministry of Energy and Industry**

Deshmoret e Kombit Blvd., No. 1, Tirana, Albania

Tel: +355 4 22222 45 ext.74111

[www.energija.gov.al](http://www.energija.gov.al)

**Ministry of Culture**

Kavaja Str., Tirana, Albania

[www.kultura.gov.al](http://www.kultura.gov.al)

**Ministry of Urban Development and Tourism**

Abdi Toptani Str., No. 1, Tirana, Albania

[www.turizmi.gov.al](http://www.turizmi.gov.al)

**Ministry of Environment**

Durrresi Str., Tirana, Albania

Tel: +355 4 2270630

[www.mjedisi.gov.al](http://www.mjedisi.gov.al)

**Minister of State for Innovation and Public Administration**

Deshmoret e Kombit Blvd., No. 1, Tirana, Albania

Tel: +355 4 2277355

[www.inovacioni.gov.al](http://www.inovacioni.gov.al)

**Minister of State for Parliamentary Affairs**

Deshmoret e Kombit Blvd., No. 1, Tirana, Albania

Tel: +355 4 2277404

**Minister of State for Local Government**

Deshmoret e Kombit Blvd., No. 1, Tirana, Albania

Tel: +355 4 2277455

[www.ceshtjetvendore.gov.al](http://www.ceshtjetvendore.gov.al)

**Embassies****British Embassy in Tirana, Albania**

Skenderbej Str., No. 12, Tirana, Albania

Tel: +355 4 2234973/4/5

**Embassy of United States in Tirana, Albania**

Elbasani Str., No. 103, Tirana, Albania

Tel: +355 4 2247285

**German Embassy in Tirana, Albania**

Skenderbej Str., No. 8, Tirana, Albania

Tel: +355 4 2274505

**Embassy of Austria in Tirana, Albania**

Frederik Shiroka Str., No. 5, Tirana, Albania

Tel: +355 4 22274855/ 22274856

**French Embassy in Tirana, Albania**

Skenderbej Str., No. 14, Tirana, Albania

Tel: +355 4 22233750

**Embassy of Greece in Tirana, Albania**

Frederik Shiroka Str., Tirana, Albania

Tel: +355 4 22274669/22274668/22274670

**Embassy of Italy in Tirana, Albania**

Gjon Pali II Str., No. 2, Tirana, Albania

Tel: +355 4 2275 900

**Royal Danish Embassy in Tirana, Albania**

Nikolla Tupe Str., No.1, 4th Floor, Entry 4, Tirana, Albania

P.O. Box 1743

Tel: +355 4 222 80 600

**Royal Netherlands Embassy in Tirana, Albania**

Asim Zeneli Str., No.10, Tirana, Albania

Tel: +355 4 2240826/2240828/2240839

**Spanish Embassy in Tirana, Albania**

Embajada de Espana, Skenderbej Str., No. 43, Tirana, Albania

Tel: 4 2274960/42274961

**Embassy of the Federative Republic of Brazil**

Abdi Toptani Str., Torre Drin, 3rd Floor, No. 31, Tirana, Albania

Tel: +355 4 2258226/2258227/2258 228

**Embassy of the Republic of Bulgaria**

Skenderbej Str., No. 12, Tirana, Albania

Tel: +355 4 2233155/2232906

**Embassy of the People's Republic of China**

Skenderbej Str., No. 57, Tirana, Albania

Tel: +355 4 2232385

**Embassy of the Republic of Croatia**

Abdi Toptani Str., Torre Drin, Bldg. 4/1, Tirana, Albania

Tel: +355 4 2 256 948

**Embassy of the Czech Republic**

Skenderbej Str., No. 10, Tirana, Albania

Tel: +355 4 2 234 004/2 232 117/2 258 796

**Embassy of the Arab Republic of Egypt**

Skenderbej Str., No. 1, Tirana, Albania

Tel: +355 4 2 233 022/2 247 986

**Holy See****Apostolic Nunciature**

Durresi Str., No. 13, Tirana, Albania

Tel: +355 4 2 233 516

**Embassy of Hungary**

Skenderbej Str., No. 16, Tirana, Albania

Tel: +355 4 2 232 238/2 234 903

**Embassy of the Islamic Republic of Iran**

Mustafa Matohiti Str., Nr. 20, Tirana, Albania

Tel: +355 4 2 227 698/4 2 255 038

**Embassy of Israel**

Abdyl Frasherri Str., EGT Tower, 14th Floor, Tirana, Albania

Tel : +355 4 4508502



**Embassy of the Republic of Kosovo**

Donika Kastrioti Str., Vila No. 6, Tirana, Albania

Tel/Fax: +355 4 2 261 650

**Embassy of the State of Kuwait**

Duresi Str., Vila 134, Tirana

Tel : +355 4 22 36 800/22 36 505

**Embassy of Libya**

Elbasani Str., Villa No. 9, Tirana, Albania

Tel: +355 4 2347816

**Embassy of the Republic of Macedonia**

Kavaja Str., No. 116, Tirana, Albania

Tel: +355 4 2 230 909/2 274 765

**Embassy of Montenegro**

Abi Toptani Str., Torre Drin, 8th Floor, Apt. 81&82, Tirana, Albania

**Embassy of the Republic of Poland**

Duresi Str., No. 123, Tirana, Albania

Tel: +355 4510020

**Embassy of Romania**

Pandeli Evangjeli Str., No. 15, Tirana, Albania

Tel / Fax: +355 4 2 30 31 33

**Embassy of the Russian Federation**

Donika Kastrioti Str., No. 2, Tirana, Albania

Tel: +355 4 2 256 040

**Royal Embassy of Saudi Arabia**

Kavaja Str., No. 116, Tirana, Albania

Tel: +355 4 2248 306/7/8

**Embassy of the Republic of Serbia**

Donika Kastrioti Str., No. 9/1, Tirana

Tel: +355 4 2 232 091

**Embassy of the Republic of Slovenia**

Abdyl Frasheri Str., EGT Tower, 3rd floor, Tirana, Albania

Tel: +355 4 2274858

**Embassy of Sweden**

Pjeter Budi Str., No.56, Tirana, Albania

Tel: +355 4 238 06 50

**Embassy of Switzerland**

**And**

**Swiss Cooperation Office (Sdc-Seco ) - Albania**

Ibrahim Rugova Str., 3/1, 1019, Tirana, Albania

Tel: +355 4 2234888/2256535

**Embassy of the Republic of Turkey**

Elbasani Str., No. 65, Tirana, Albania

Tel: +355 4 2380350/1/2

**British Embassy**

Skenderbej Str., No. 12, Tirana, Albania

Tel: +355 4 2 234 973

**Delegation of the European Union**

ABA Center, 17th Floor, Rr. Papa Gjon Pali II. Tirana, Albania

Tel: (+355) 4 2 228 320 / 4 2 230 871/4 2 234 284

**Council of Europe**

Skernderbej Square, Palace of Culture, 1st Floor, Tirana, Albania

Tel: +355 4 2 228 419

## APPENDIX D

### BANKING SYSTEM – PRODUCTS AND SERVICES

The following is a brief description of the products and services available from the banking system in Albania.

There are a wide range products offering credit facilities including short-term commercial loans, short-term advances, overdrafts, guarantees, mortgage loans, medium term loans and recently commercial and individual leasing alternatives. Micro-credit financing for individuals and businesses has seen rapid growth for some time now. Products vary depending on whether they are intended for individuals or businesses: (I) for businesses the range of products includes small, medium and large loans, whereas (II) for individuals the available range includes housing loans, loans for property improvements and consumer loans. Overdrafts are also increasingly popular.

Available treasury products include foreign exchange against Albanian currency and cross-currencies out of an available pool of major global currencies, time deposits, treasury bills and other non-governmental bonds secondary markets, CDOs, Repo agreements, etc.

The operational and transactional products offered include international money transfers, import and export letters of credit and bills for collection, current and time deposits, travelers' checks, credit and debit cards, and some payments through on-line banking. The government is currently reviewing a draft law on factoring, which when implemented will allow businesses to sell their receivables to financial intermediaries like banks and other non-bank financial institutions. Automated services include ATMs offering cash withdrawal and deposit possibilities 24/7. Typically, no fees are charged for the issuance of cards and for transactions carried out within the country's banking network. Other more specialist services are also available, including tax and utilities collection accounts, VAT collection services, mortgage loans, mortgage loans linked to time deposits, etc.

## APPENDIX E

### CORPORATE INCOME TAX DECLARATION AND PAYMENT FORM

- 
- 1) Serial Number:  
2) Fiscal period  
VAT Number (3)  
Business name of taxable entity (4)  
Name Surname of physical person (5)  
Address:  
Telephone number: (7)

#### Profit/Loss Calculation

	Accounting	Fiscal
<b>Revenues and Expenses</b>		
(8/9) Revenues	8	9
(10/11) Expenses	10	11
(12) Non-ductible expenses		12
<b>Profit/loss</b>		
(13/14) Loss	13	14
(15/16) Profit	15	16
(17) Loss carried forward		17
(18) Net taxable profit (16-17)		18

#### Profit Tax Calculation

(19) Profit tax at standard tax rate		19
(20) Profit tax at other percentages		20
(21) Profit tax (19+20)		21
(22) Deferred profit tax		22
(23) Prepayments		23
(24) Credit carried forward from previous period		24
(25) Request for reimbursement		25
(26) Overpaid profit tax		26
(27) Payable profit tax		27
(28) Penalties/Interests for late payments		28
<b>(29) TOTAL PAYABLE AMOUNT</b>		<b>29</b>

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# APPENDIX F

## FINANCIAL STATEMENTS FORMATS

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### Balance Sheet

As at 31 December 200X

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		In thousands of ALL	
	Note	200X	200(X-1)
Assets			
Cash and cash equivalents			
Derivatives and financial assets classified as held for sale			
Derivatives			
Assets classified as held for sale			
Other non-current assets			
Trade receivables			
Other receivables			
Derivatives			
Other investments			
Inventories			
Raw materials			
Work in progress			
Own production			
Goods			
Prepayments for supplies			
Biological assets			
Assets classified as held for sale			
Prepayments and deferred expenses			
<b>Total current assets</b>			
Non-current financial investments			
Shares and participation in controlled entities			
Other shares and participations			
Other shares and securities			
Non-current receivables			
Property, plant and equipment			
Balance Sheet			
Land			
Buildings			
Plant and equipment			
Other fixed assets			
Intangible assets			
Goodwill			
Research and development costs			
Other intangible assets			
Non paid share capital			
Other non-current assets			
<b>Total non-current assets</b>			
<b>Total assets</b>			

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## Liabilities

Derivatives

Current loans and borrowings

Current portion of long-term borrowings

Convertibles shares

Trade and other payables

Trade payables

Payables to employees

Current tax payables

Other borrowings

Prepayments

Grants and deferred income

Current provisions

### Total current liabilities

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Non-current loans and borrowings

Loans, securities and financial leasing

Convertibles shares

Other non-current borrowings

Provisions

Grants and deferred income

### Total non-current liabilities

### Total liabilities

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## Equity

Minority interest

Equity holders of the Company

Share capital

Share premium

Statutory reserves

Legal reserves

Other reserves

Retained earnings

Current year profit/loss

### Total equity

### Total equity and liabilities

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## Income Statement

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For the year ended 31 December 200X

	<i>In thousands of ALL</i>		
	Note	200X	200(X-1)
Net sales			
Other income from managing operations			
Changes in inventories of finished goods and work in progress			
Work performed by the entity and capitalized			
Raw material and consumables used			
Other expenses arising from managing operations			
Employee benefits expenses			
Gross salaries			
Social contributions			
Pension contributions			
Impairment and depreciation			

### Profit/loss from operating activities

Income and expenses from controlled entities			
Income and expense from participations			
Financial income and expenses			
Financial income and expenses from non-current investments			
Interest income and expenses			

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Gains/losses from foreign exchange			
Other financial income and expenses			

### Net financial income and expenses

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### Net profit (loss) for the period

#### Attributable to:

Equity holders of the Company			
Minority shareholders			

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## CASH FLOW

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### Indirect method

For the year ending 31 December 201X

*In thousands of ALL*

Note      201X      201(X-1)

### Cash flow from operating activities

Profit before taxation

Adjustments for:

    Depreciation

    Foreign exchange loss

    Investment income

    Interest expenses

    Increase/decrease in trade and other re-  
    ceivables

    Increase/decrease in inventories

    Increase/decrease in trade payables

Cash generated from operations

    Interest paid

    Income tax paid

Net cash from operating activities

---

### Cash flow from investing activities

Acquisition of subsidiary X net of cash acquired

Purchase of property, plant and equipment

Proceeds from sale of equipment

Interest received

Dividends received

Net cash used in investing activities

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### Cash flow from financing activities

Proceeds from issue of share capital

Proceeds from long-term borrowing

Payment of finance lease liabilities

Dividends paid

Net cash used in financing activities

**Net increase/decrease in cash and cash equivalent**

**Cash and cash equivalent at beginning of the period**

**Cash and cash equivalent at end of the period**



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## STATEMENT OF CHANGES IN EQUITY

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### Non-consolidated accounts

For the year ending 31 December 201X

*In thousands of ALL*

	Share capital	Premi- ums	Treasury bonds	Legal and statutory reserves	Retained earnings	<b>Total equity</b>
<b>Balance at 31 December 201X-2</b>						
Changes in accounting policy						
<b>Restated balance</b>						
Net profit for the current year						
Dividends paid						
Increase of reserves						
Issuance of shares						
<b>Balance at 31 December 201X-1</b>						
Net profit of the current year						
Dividends paid						
Issuance of shares						
Re-purchased treasury bonds						
<b>Balance at 31 December 201X</b>						

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## BOGA & ASSOCIATES SERVICES AT A GLANCE

Boga & Associates, established in 1994, has emerged as one of the premier law firms in Albania, earning a reputation for providing the highest quality of legal, tax and accounting services to its clients. Boga & Associates also operates in Kosovo (Pristina) offering a full range of services. Until May 2007, the firm was a member firm of KPMG International and the Senior Partner/Managing Partner, Mr. Genc Boga, was also the Managing Partner of KPMG Albania.

Our firm's particularity is linked to the multidisciplinary services it provides to its clients. Apart of the wide consolidated legal practice, the firm offers also a significant expertise in tax and accounting services with a keen sensitivity to the rapid changes in the Albanian and Kosovo business environment.

The firm maintains its commitment to quality through the skills and determination of a team of attorneys and other professionals with a wide range of skills and experience. The extensive foreign language skills of the team help to ensure that its international clientele have easy access to the expanding Albanian and Kosovo business environment.

With its diverse capabilities and experience, the firm acts for leading businesses in most major industries, including banks and financial institutions, as well as companies working in the insurance, construction, energy and utilities, entertainment and media, mining, oil and gas, professional services, real estate, technology, telecommunications, tourism, transport, infrastructure and consumer goods sectors. The firm also enjoys an outstanding litigation practice, representing clients before all levels of the Albanian judicial system. Moreover, the Albanian parliament has drawn on the firm's know-how and experience to help with the drafting of new laws and regulations.

The firm offers its clients every legal, tax and accounting service they may require in their day-to-day activity business in Albania and Kosovo. Over the years, the firm has advised on privatization transactions, concessions, real estate transactions, setting up businesses, credit facilities and customs and tax issues, all with a keen sensitivity to developments in the Albanian business environment.

Boga & Associates aims to provide a 'one stop shop' for the best legal, tax and accounting advice in Albania and Kosovo, and in particular offers:

- an experienced, professional team;
- a culture that continually measures and demands improvements in the quality of services we offer;
- a structure that is market facing, self-reliant, independent and accountable;
- a pragmatic, constructive and proactive attitude;
- an integrated service ensuring we listen to client's needs and act accordingly;
- a continuously open channel of communication with client's management.

## EXPERTISE

### *Legal*

- Commercial Law
- Intellectual Property Law
- Banking and Finance Law
- Competition Law
- Energy and Utilities Law
- Construction Law
- Employment Law
- Electronic Communication and Entertainment Law
- Environmental Law
- Litigation and Alternative Dispute Resolution
- Procurement Law
- Projects
- Real Estate Law

### *Tax*

- Tax Advice
- Tax Audit Services
- Tax Compliance

### *Accounting*

- Bookkeeping Services
- Accounting Advice
- Forensic Services

## ACHIEVEMENTS OF BOGA & ASSOCIATES



### **IF LR 1000, Top Tier Firm 2014**

- Corporate
- Financial



### **Chambers Global, Top Ranked 2014**

- General Business Law
- Leading Individuals



### **Chambers Europe, Top Ranked 2014**

- Corporate/Commercial
- Dispute Resolution
- Intellectual Property
- Projects
- Real Estate



### **Corporate INTL, Global Awards 2014**

- Business Law Firm in Albania
- Full Service Law Firm in Albania
- IP Law Firm in Albania
- Commercial Law Firm in Albania
- Trademark Law Firm in Albania
- Labour Law Firm in Albania



### **Global Legal Expert (GLE) 2014**

- Trade Law Firm in Kosovo



### **Corporate INTL, Legal Awards 2013**

- Full Service Law in Albania
- Commercial Law in Albania
- Banking & Finance in Kosovo
- Employment Law in Albania
- Dispute Resolution Advisory in Albania
- Immigration in Albania
- Tax Law in Albania



[www.bogalaw.com](http://www.bogalaw.com)



[www.bogalaw.com](http://www.bogalaw.com)