



BOGA & ASSOCIATES

LEGAL • TAX • ACCOUNTING

INVESTMENT IN ALBANIA

11TH EDITION

2016

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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 2015, 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

Location

South East Europe

Area

28,748 sq. km

Capital

Tirana (est. population around 800,000)

Population¹

2.893.005 (As of 1 January 2015)

Avg Age

35 yrs

Language

Albanian

Climate

Mediterranean & Continental

Avg Temp

6.8°C - 23.9°C

Annual FDI Inflows² (2013)

EUR 1225 million

¹ Source: Institute of Statistics (INSTAT).

² Source: 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 Organizations and 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 Albanian Institute of Statistics³ reports that the population of Albania on 1 January 2015 was 2,893,005 inhabitants, marking a decrease of 2,942 inhabitants in comparison with 2014. There were 1,462,005 males and 1,431,000 females in Albania. The sex ratio is 102.1 males to 100 females.

³Source: *Institute of Statistics (INSTAT)*.

Urban and Rural Areas

The Population and Housing Census of 2011⁴ shows that, for the first time in the history of population censuses in Albania, the population in urban areas is larger than in rural areas. The 2011 Census data show that 53.5% of the population lives in urban areas and 46.5% in rural areas.

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.

Data from the Population and Housing Census of 2011 show that 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), and 0.1% unspecified.

CURRENCY

Albania's official currency is the Lek (ALL). The Bank of Albania (BoA) determines, approves, implements and retains control over monetary policy. BoA's Monetary Policy Document of January 2015 states that the Bank's main objective of the monetary policy is to achieve and maintain price stability. The Document says that BoA aims low but positive inflation rates, and to keep the annual increase in domestic consumer prices at 3%⁵.

The Albanian lek depreciated slightly in 2014 Q4. BoA's Monetary Policy Report Q4 2014 says that the U.S. dollar continued to gain ground against the lek, both in annual (8.4%) and quarterly terms (6.1%). The Monetary Policy Report Q4 2014 also says that in real terms, in relation to the euro, the lek continued to appreciate (0.3%) due to faster decrease of inflation in euro area trading partners relative to domestic inflation.

The exchange rate according to the BoA on 30 June 2015 was 1 USD = 124.24 ALL and 1 EUR = 139.39 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.

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

⁴Source: *Population and Housing Census 2011* (<http://www.instat.gov.al/census.aspx>).

⁵Source: *Bank of Albania, Monetary Policy Document, 28 January 2015*.

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. The 61 local government units were constituted after the June 2015 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 90 days within 180 days) 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 Table 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.

Table 1

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	

Holders of Ordinary Passports

Foreign citizens who hold of ordinary passports can enter Albania without an entry visa if they are citizens of countries listed in Table 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.

Table 2

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*

Citizens of countries 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 diplomatic or service passports from the countries listed in Table 1 and Table 2, from countries with which there is a bilateral agreement, as well as from those countries listed in Table 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.

Table 3

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 the National Labor Service or the Labor Office of the relevant territory, part of the Ministry of Youth and Social Welfare.

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 the National Labor Service or the Labor Office of the relevant territory. The Directorate/Labor Office must notify its decision on issuance of 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.

Type Card Blue AL-C:

Permanent residence permit issued to highly qualified employees.

The application for a residence permit or for the renewal of the same should be submitted respectively, not later than 30 days after the 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. Two photos;
6. Document proving insurance in Albania;
7. 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 citizen 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 certifications) 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. 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.

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 pricevs 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: Telekom Albania, 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 investments playing a key role in the overall economic transformation.

According to reports from the Bank of Albania (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 (although 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: The Bank of Albania reports that the Albanian economy marked improvements in 2014. In its Annual Report 2014 the BoA states that, based on data from INSTAT (Albanian Institute of Statistics), the gross added value grew by 1.4% during the first three quarters of 2014. Overall economic stability indexes marked improvements, even though the Albanian economy keeps operating below its capacity.

Macroeconomic Indicators

BoA's Annual Report 2014 states that the indicators of the country's overall economic and financial stability marked improvements although the Albanian economy continues to operate not at full capacity and faces an unfavorable external environment.

In macroeconomic terms, inflation and inflationary expectations remained at low levels. The area of public finances, since 2014 was characterized by a consolidating fiscal policy. Fiscal revenues increased, excluding the payment of arrears, and the budget deficit was reduced.

In the area of foreign economic and financial relations, in 2014 wasn't marked any change compared to the previous trajectories. Current account deficit increased, but the balance of payments resulted positive and the exchange rate appeared stable. In financial terms, the Albanian economy and its financial system during 2014 marked progress, in terms of improvement of liquidity indicators, profitability and assets

quality. However, the banking sector's intermediary activity remains low and its balance sheets continue to suffer from bad loans.

The report states that the county's economic growth was mainly driven by consumer

Table 4 - Macroeconomic indicators

	2009	2010	2011	2012	2013	2014
Inflation (Y-o-y)						
Headline inflation, in %	2.28	3.56	3.45	2.04	1.94	1.63
Economic growth						
Real GDP growth, in %*	3.70	3.75	3.17	1.00	1.45	1.45
GDP (at current prices, in ALL million)	1,143,936	1,239,645	1,300,624	1,335,488	1,364,781	
Labour market						
Number of employed (in thousands)	909.8	895.7	948	962.4	826.6	947.0
Unemployment rate**	13.6	13.8	13.1	12.8	13.4	12.9
Unemployment rate according to the survey***	13.8	14.2	14.3	13.9	16.10	17.40
External sector						
Current account (as a percentage of GDP)	-15.4	-11.53	-13.2	-10.2	-10.6	-12.1
Imports of goods (fob as a percentage of GDP)	35.3	36.2	39.4	36.7	35.7	36.6
Export of goods (fob as a percentage of GDP)	8.7	13	15.2	15.9	18.2	18.6
FDI inflows (as a percentage of GDP)	8.3	8.8	6.8	6.9	9.7	8.3
International reserve (in EUR million, end of period)	1,646	1,904	1,912	1,972	2,015	2,192
Monetary and financial sector						
Repo rate (end of period)	5.25	5	4.75	4	3	2.25
M3 aggregate (annual growth, end of period)	6.8	12.5	9.2	5.0	2.3	4
Lending to the private sector (annual growth, end of period)	10.3	10.1	10.4	1.4	- 1.4	2

Source: Bank of Albania – Annual Report 2014.

Notes:

* For 2012, data are semi-final and for 2013 data are preliminary. For 2014, the figure refers to the annual growth for nine months. Labour market and external sector data are as at end of third quarter.

** According to administrative INSTAT data.

*** Labour Force Survey Results, published by INSTAT.

GDP ratios are based on annual projections.

spending and less by private and public sector investments. It also states that the improved confidence in the economy, low interest rates and credit expansion, increased employment and the payment of arrears by the public sector are estimated to have supported private sector spending in the last quarters.

The same report says that real net exports deficit expanded by 18% in the third quarter of 2014. The slow increase in exports reflects the sluggish demand by the country's trading partners, as well as supply-side shocks in some sectors of production.

Fiscal Indicators

BoA's Monetary Policy Report Q4 2014 shows that budget revenues recorded higher and steady growth rates throughout the period. Until the end of the first 11 months, budget revenues amounted to around ALL 329.2 billion, or 12.6% higher than in the previous year. The increase in total revenues is dedicated almost entirely to tax revenue.

Monetary Indicators

According to Bank of Albania's Monetary Policy Report Q4 2014 interest rates in the interbank market maintained a downward trend in 2014 Q4. Liquidity pressures were subdued, while the accommodative monetary policy contributed to downward interest rates throughout the year.

BoA reports the following in regard to interest rates:

Interest rates on lek deposits maintained a downward trend in 2014 Q4. The interest rate on lek deposits averaged 1.65%, or 0.14 percentage point lower than in Q3.

Euro deposit rates were steadier but slightly lower. The spread between lek and euro time deposit rates narrowed due to a larger decrease in the former.

The margins between interest rates on loans and other lek instruments narrowed, mainly due to lower loan rates.

The long-term interest rate, decreased to 7.4% on average in October and November, from 7.9% in Q3.

The medium-term segment also recorded a decline by 0.25% from Q3, to 10.31% during October and November.

Long-term interest rates fell on both business and household loans, supporting mortgage loans and investment loans.

The World Bank group has endorsed the 2015-2019 Country Partnership Framework (CPF) for Albania. According to the document of the World Bank Group "International Bank for Reconstruction and Development International Finance Corporation and Multilateral Investment Guarantee Agency Country Partnership Framework for Albania for the Period Fy15 – Fy19", the CPF aims at supporting Albania's aspiration to achieve equitable growth and integration into the European Union.

The said document states that the CPF is based on the following selectivity filters: i) championship – drilling down within the focus areas to interventions which have both high impact and strong government champions; ii) comparative advantage - carefully examining where the WBG can make the best contribution vis-à-vis other partners, especially the EU; iii) strategic programming – identifying where the WBG can support larger transformative operations , moving away from a proliferation of thinly - spread investment projects.

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 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 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 and Loans Associations and 113 Savings and Loan Associations. Currently, there are 22 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 2013⁶:

Table 5

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 Banka	15			15
5	Tirana Bank	49		4	53

⁶ There is no updated official information regarding the number of banks and their respective presence for 2014.

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

Source: Bank of Albania, – Annual Supervision Report 2013, 12 September 2014.

The following table presents the structure of entities licensed by the BoA from 2005 to 2014:

Table 6

Cumulative	2007	2008	2009	2010	2011	2012	2013	2014
Banks	18	16	16	16	16	16	16	16
Financial Institutions (Non-banks)	6	7	13	17	19	21	21	22
Foreign Exchange Bureau	112	189	221	284	301	322	333	356
Savings and Loans Associations	130	133	135	126	126	126	121	113
Unions of Savings & Loans	2	2	3	3	3	3	2	2

Source: Bank of Albania-Annual Report 2014.

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.

In 2014 there were 10 insurance companies operating, consisting of seven non-life insurance companies, two life insurance companies, and one life and non-life insurance company.

Furthermore, the Albanian Insurance Market Developments for year 2014 publication of the Albanian Financial Supervisory Authority indicated the following figures:

The insurance market had an increase, mainly dominated by non-life insurance which accounted for 90.93% of the total gross written premium in the market (see Table 7).

Gross written premiums during 2014 amounted to approximately ALL 11,624 million.

Gross written premiums for compulsory motor insurance were over ALL 6,919 million, marking an increase by 78.99% compared to 2013.

Gross written premiums volume in accidents and health insurance were ALL 807 million, marking an increase of 20.20.63% compared to 2013. They amounted to ALL 1,07 million in life insurance.

Gross written premiums in domestic MTPL insurance increased by 88.85%.

Green Card Insurance (Kartoni Jeshil) gross written premiums increased by 57.37% compared to 2013. Meanwhile, gross written premiums for border insurance increased by 50.35% compared to 2013.

TRADE EXCHANGE

Table 7

	2009	2010	2011	2012	2013	2014
	In ALL (m)					
Compulsory Insurance	4,191	4,259	3,727	4,580	3,865.5	6,919
Voluntary Insurance	3,686	3,947	4,488	4,370	4,665.5	4,678
	Of which:					
Life	723	849	941	880	960	1,027
Non-life	7,083	7,302	7,256	8,042	7,522	10,570
Reinsurance accepted	72	55	18	28	54	27
Total	7,878	8,206	8,215	8,951	8,535	11,624

Source: Financial Supervisory Authority, Annual Report 2014.

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 10,654 (year 2014);
- Gross Written Premiums ALL 11,624 million (year 2014).

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.

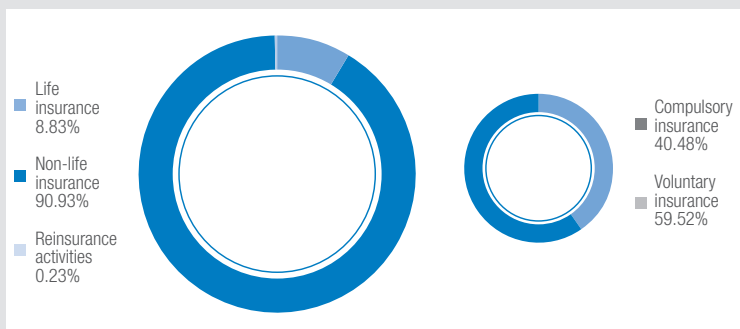
(iv) Marine and transport insurance:

- 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, 2014



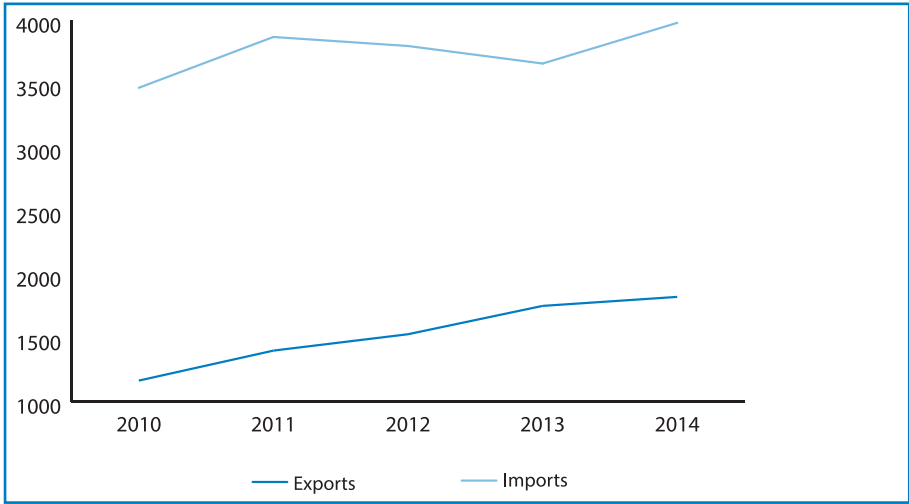
Source: Albanian Financial Supervisory Authority, Annual Report 2014.

Note: *Data from 30.09.2014

Albania's foreign trade flow dynamics experienced a small increase in 2014 reaching a value of EUR 5,809 million⁷. Data from the Albanian Customs indicate a slight increase in both, import and export values, which in 2014 amounted respectively to EUR 3,983 million and EUR 1,826 million. These values have contributed to a slight decrease of the balance of trade. Graph no. 2 shows the trend of Albanian imports and exports from 2010 to 2014.

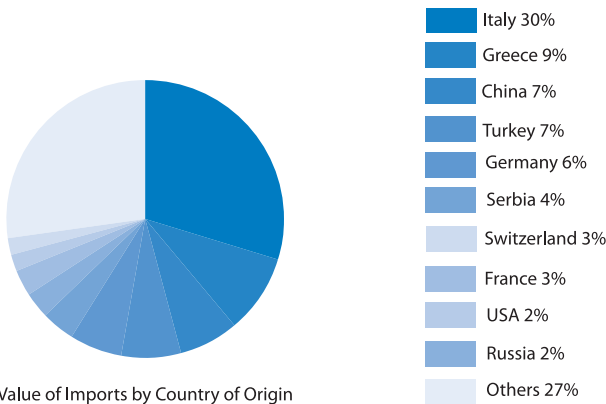
Albania's main trade partners are Italy, Greece, Kosovo, Spain and Turkey among others.

Graph 2: Imports and exports trends during 2010-2014:



Graphs no 3: Specific weight of the value of imports by country of origin:

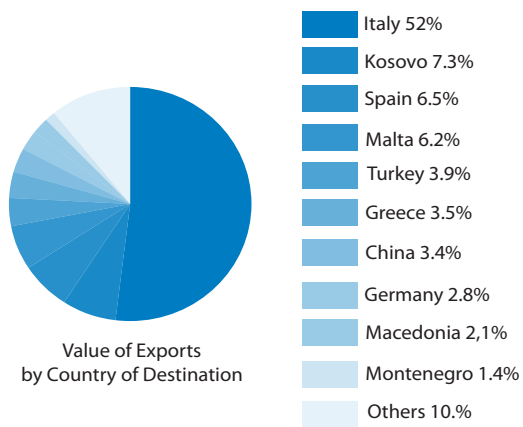
Key Trade Statistical Data



Value of Imports by Country of Origin

⁷ Source: Albanian Customs, Foreign Trade Bulletin January-December 2014.

Graphs no 4: Specific weight of the value of exports by country of destination:



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.

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. 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, India, United Arab Emirates, 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

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 co-operation 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

SOVEREIGN RATING

Standard & Poor's (S&P) on 10 April 2015 affirmed its positive outlook on Albania , and its "B/B" long-term and short-term foreign and local currency sovereign credit ratings. S&P says "We think Albania will reduce general government deficits substantially in 2015 and 2016, while successfully weathering fiscal risks on its consolidation path. In our view, Albania's agreement with the International Monetary Fund (IMF) in 2014 will support its reform agenda and the servicing of high net government debt in 2015-2017. We are therefore affirming our 'B/B' ratings on Albania. The positive outlook continues to reflect the possibility that we could upgrade Albania if progress with fiscal consolidation continues and, underpinned by compliance with its IMF arrangement, debt relative to GDP starts to reduce over the next 12 months."⁸

S&P's peer, Moody's Investors Service Inc, rates Albania B1 with a stable outlook.

⁸ Source: Standard & Poor's, Republic of Albania 'B/B' Ratings Affirmed; Outlook Remains Positive, 10 April, 2015.

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.

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. 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 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 million 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 NRC. 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 directors 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, authoriza-

tion 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 (NAC) has approved fifteen National Accounting Standards. These Standards have been effective since 1 January 2008.

The National Accounting Standards (NAS) includes 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

NAC has published in its website the improved NAS, effective from 1 January 2015, which aims to be in line with the International Financial Reporting Standards for Small and Medium Enterprises (IFRS for SMEs).

The accounting period consists of 12 consecutive months and should begin with the calendar year. Accounting records must be kept and maintained in Albanian currency 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 National Accounting Standard 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 B. 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 A.

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;
 - annual turnover is equal to or exceeds ALL 30 million;
 - 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 natural persons as 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.

Effective from 1 January 2014, the government introduced *inter alia* an increase of the corporate income tax rate from 10% to 15%, progressive tax rates on income deriving from employment (instead of the flat rate of 10%) and an increase of the basis of calculation of the health insurance contributions.

The new law on VAT, approved on July 2014, broadly reflects the EU Directive "On Value Added Tax". The law entered into force in 1 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 entered 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.

CORPORATE INCOME TAX

Corporations conducting business in Albania and having an annual turnover exceeding ALL 8 million are subject to a corporate income tax (profit tax) at a rate of 15%.

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 of 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 decision of Council of Ministers;
- 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 the 20th of December of the same 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.

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

When the net book value of buildings, structures and machineries at the beginning of the period is lower than 3% of the historical cost, the net book value may be recognized as a deductible expense for the said period.

Similarly, net book value of fixed assets, other than those mentioned above, may be recognized as a deductible expense for the said period if such value at the beginning of the period is lower than 10% of the historical cost of the assets.

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 Price

The rules on transfer pricing are based on the OECD Transfer Pricing Guidelines 2010. The tax legislation lists the methods that the taxpayer may use when performing a controlled cross-border transaction, depending on the characteristics of the transaction. The methods mentioned are:

- the comparable uncontrolled price method;
- the resale price method;
- the cost plus method;
- the transactional net margin method; and
- the profit split method.

The taxpayer may choose another transfer pricing method, if he shows that none of the above can be used in a reasonable way to apply the market principles for controlled transactions.

Taxpayers performing controlled transactions which exceed ALL 50 million per year (approximately EUR 360,000) should present to the tax authorities an Annual Controlled Transactions Notice.

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 law.

WITHHOLDING TAXES

Dividends and profit sharing

Dividends and profit sharing paid to non-tax registered residents or to non-residents are subject to withholding tax at a rate of 15%.

Interest

Interest paid to non-tax registered residents or to non-residents is subject to final withholding tax at a rate of 15%.

Other Payments

There is a 15% 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 to 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, 2006⁹
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 Great Britain, in effect as of 1 January, 2014
38. Treaty with United Arab Emirates, in effect as of 1 January, 2014

INDIRECT TAXES

Value Added Tax

The new law on VAT, which broadly reflects the EU Directive on Value Added Tax entered into force on 1 January 2015.

Under VAT Law, a taxable person is any person who is, or is required to be registered for VAT, and who carries out in Albania, independently, any economic activity in a regular or non-regular manner, whatever the purpose or result of that economic activity is.

All individuals and legal entities making taxable supplies and having an annual turn-

⁹ This treaty, signed between the Government of Albania and UNMIK will be replaced by a new treaty, effective from 1 January 2016, signed between the Government of Albania and the Government of Kosovo.

over in excess of ALL 5 million are subject to general VAT regime. Specifically, individuals and legal entities that operate in the import/export sector, lawyers, notaries, doctors, architects, auditors, accountants, etc., and taxpayers conducting business activities in the hotel sector, are subject to VAT irrespective of their annual turnover.

The National Registration Center issues a VAT registration certificate to the taxable person which has to be displayed at each place of business activity. A taxable person conducting the same or different economic activities and who has several places of economic activity within Albania is identified by one individual and unique VAT registration number.

A taxable person shall submit a tax declaration and remit the related payment not later than the 14th of the calendar month following the end of each tax period. The VAT ledgers have to be filed within the 10th of the calendar month following the end of each tax period.

Taxable transactions include the supply of goods and services in Albania by a taxable person, as well as the importation of goods to Albania. The following kinds of transaction are also taxable:

- the use by a taxable person of goods forming part of his business assets for his private use or for that of his staff, or their disposal free of charge or, more generally, their application for purposes other than those of his business;
- in case of deregistration, all the business assets still in possession of the taxpayer if the VAT was credited when purchased;
- the use by a taxable person of goods forming part of his business assets for his activity in case the deductibility of the VAT is not allowed (partially or fully) if purchased from other taxpayers;
- gifts of value exceeding ALL 2,000.

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.

VAT Rate

The standard VAT rate in Albania is 20%.

VAT Exemptions

Important exemptions include certain activities in the public interest such as:

- Supply by the public postal services;
- Supply of medicinal products and active implantable medical devices;
- Supply of medical services and closely related activities undertaken by bodies governed by public law;
- Supply of human organs, blood and milk;

- Supply of services by dental technicians;
- Supply of services and goods closely linked to welfare and social security work carried out by bodies governed by public law or other organizations recognized by the competent authority;
- Supply of services and goods closely linked to the protection of children and young persons carried out by bodies governed by public law or other organizations recognized by the competent authority;
- Provision of children or young people's education, school or university education including supply of services and goods closely related thereto, as well as tuition given privately by teachers and covering school and university education;
- Supply of services and goods closely linked thereto to their members in their common interest in return for a subscription fee in accordance with their statute by nonprofit making organizations with aim of a political, trade union, religious, patriotic, philosophical or civic nature;
- Supply of certain services closely linked to sport or physical education;
- Supply of certain cultural services and supply of goods closely linked thereto;
- Supply of transport services for sick or injured persons and the activities, other than those of a commercial nature carried out by public radio and television bodies.

The exemptions include also other activities such as:

- Insurance and reinsurance transactions;
- Financial services;
- Supply of a building or parts thereof and of the land on which it stands and supply of land;
- Lease of immovable properties when the lease duration exceeds two months, unless the taxpayer opts for taxability (except accommodation in hotels, vacancy residences, warehouses and parking places);
- Supply of services rendered by contractors and their subcontractors related to the exploration phase of hydrocarbon operations and import of goods during the exploration phase, when certified as such by National Agency of Natural Resources;
- Supply of ID cards;
- Supply of newspapers, magazines and books of any kind, newspaper printing services, as well as the supply of advertising in electronic and written media and the supplies of services relating to gambling activities, betting and lotteries;

- Lease and sale of land;
- Sale of buildings.

Place of Supply

When goods are located in Albania and their supply does not involve delivering to or transporting them from Albania, they are treated as being supplied in Albania.

However, if dispatch or transport of the goods commences in Albania, the place of supply is deemed to be in Albania. The place of supply of goods installed or assembled by or on behalf of the supplier, buyer or a third party in Albania is in Albania.

The place of supply of “Business to business” (B2B) services is generally the place where the recipient has established its business. Certain documentation (showing that the recipient is a VAT taxpayer in its country of origin) must be provided to the supplier in order to benefit from the non application of VAT. Additionally, if the services are provided to a fixed establishment of the taxable person located in a place other than the place where it has established its business, the place of supply of those services is the place where that fixed establishment is located.

As regards to “Business to customers” (B2C) supplies of services, i.e supplies of services to a non-taxable person, the place of supply is generally the place where the supplier has established its business. However, if those services are provided from a fixed establishment of the supplier located in a place other than the place where it has established its business, the place of supply of those services is the place where that fixed establishment is located.

There are however numerous exceptions to the rules on the place of supply of services.

Special Schemes

VAT law provides special schemes for small business entities, travel agents, sale of second hand goods, sales by public auction, farmers and investment in gold.

LOCAL TAXES

Tax on Real Estate

All Albanian and/or foreign individuals and legal entities which own real estate property consisting of buildings 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.

The tax applies as well to buildings (either owned or used) in territories classified as tourist villages. The tax rate for these buildings is ALL 400 per square 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 declaration of the annual tax statement 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 8 shows some of the applicable rates.

Table 8

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 liter
Roasted coffee	ALL 140 per kg
Pneumatic tires	ALL 20 up to 100 per kg

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 member countries 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, royalty tax, environmental tax, billboard tax and 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;
- 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 9

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

For other taxable income, a flat rate of 15% 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. Income generated from business activities carried out by self employed individuals (subject to simplified profit tax on small businesses or profit tax) is not considered for purposes of calculating the said threshold. The declaration must be filed with the Tax Directorate, of 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 overpaid 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) 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;
- b) 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.

SOCIAL AND HEALTH INSURANCE CONTRIBUTIONS

Only a part of gross monthly salary, between the floor of ALL 22,000 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 Table 10.

Self-employed persons must also pay social insurance on minimum salary of ALL 22,000 and health contributions on the double of the minimum (ALL 44,000), as per the rates shown in Table 10. The basis of the calculation of the mandatory health insurance for them is the double of the minimum salary.

Table 10

	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, as amended, the retirement age is 65 for men and 60 years and two months for women for 2015.

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 employee’s 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 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) identification 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 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 in enterprises with up to 100 employees, 15 in 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 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 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 a day off, 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 Property Registration Office within 30 days of its execution. The Immovable Property 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 Property 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 Property 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 Property 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 Albanian 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

PROFIT TAX FORM

Taxpayer

VAT Number:	Trade Name of Taxable Person:
Name and Surname of the Taxable Person:	Address:
City	Civic center/Municipality:
District:	Phone Number:

Calculation of profit

	<u>Accounting</u>	<u>Fiscal</u>
Revenues and Expenses		
(8/9) Revenues	8	9
(10/11) Expenses	10	11
(12) Non-deductible expenses	12	12
Profit		
(13/14) Loss	13	
(15/16) Profit	15	
(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 rates		20
(21) Profit tax (19+20)		21
(22) Deferred profit tax	22	22
(23) Payable profit tax		23

APPENDIX B

FINANCIAL STATEMENTS FORMATS

Statement of Financial Position		
ASSETS	2XX2	2XX1
Current assets	X	X
Cash and cash equivalents	X	X
Investments	X	X
1. In ownership titles of economic units within the group	X	X
2. Own shares	X	X
3. Other	X	X
Receivables	X	X
1. From operating activity	X	X
2. From economic units within the group	X	X
3. From participations	X	X
4. Other	X	X
5. Unpaid share capital	X	X
Inventories	X	X
1. Raw materials and consumables	X	X
2. Work in progress and semifinished goods	X	X
3. Finished goods	X	X
4. Goods	X	X
5. Biological assets	X	X
6. Assets classified as held for sale	X	X
7. Prepayments for supplies	X	X
Deferred expenses	X	X
Accrued income	X	X
Total current assets	X	X

Financial assets	X	X
1. Ownership titles of economic units within the group	X	X
2. Loans to economic units within the group	X	X
3. Ownership titles in economic units where has participating interests	X	X
4. Loans to economic units where has participating interests	X	X
5. Other titles treated as non-current assets	X	X
6. Other loans	X	X
Property, Plant & Equipment	X	X
1. Land and buildings	X	X
2. Plants and machinery	X	X
3. Other installations and equipment	X	X
4. Prepayments for materials and in process assets	X	X
Biological assets	X	X
Intangible assets	X	X
1. Concessions, patents, licenses, trademarks, and other similar rights and assets	X	X
2. Goodwill	X	X
3. Prepayments for non-current intangible assets	X	X
Deferred Tax Asset	X	X
Total non-current assets	X	X
TOTAL ASSETS	X	X
Liabilities and equity	X	X
Current liabilities	X	X
1. Borrowings	X	X
2. Liabilities toward credit institutions	X	X
3. Advance payments	X	X
4. Payables for operating activity	X	X
5. Notes payable	X	X
6. Payables to economic units within the group	X	X
7. Payables to economic units where has participating interests	X	X
8. Payables to employees and social/health insurance	X	X
9. Payable taxes	X	X

Accrued expenses	X	X
Deferred income	X	X
Provisions	X	X
Total of current liabilities	X	X
Non-current liabilities	X	X
1. Borrowings	X	X
2. Liabilities toward credit institutions	X	X
3. Advance payments	X	X
4. Payables for operating activity	X	X
5. Notes payable	X	X
6. Payables to economic units within the group	X	X
7. Payables to economic units where has participating interests	X	X
8. Other payables	X	X
Payables for accrued expenses		
Deferred income	X	X
Provisions:		
1. Pensions provisions	X	X
2. Other provisions	X	X
Deferred tax liability		
Total non-current liabilities	X	X
Total liabilities	X	X
Equity and reserves	X	X
Share capital	X	X
Share premium	X	X
Revaluation reserve	X	X
Other reserves	X	X
1. Legal reserves	X	X
2. Statutory reserve	X	X
3. Other reserves	X	X
Retained earnings	X	X
Profit/loss of the year	X	X
Total Equity	X	X
TOTAL LIABILITIES AND EQUITY	X	X

STATEMENT OF COMPREHENSIVE INCOME

Form 1 - Operating expenses classified by nature

	2XX2	2XX1
Income from operating activity	X	X
Changes in inventory of finished goods and work in progress	(X)	(X)
Work performed by entity and capitalised	X	X
Other operating income	X	X
Raw material and consumables used	(X)	(X)
1. <i>Raw material and consumables used</i>		
2. <i>Other expenses</i>		
Employee expenses	(X)	(X)
1. <i>Salaries and bonuses</i>		
2. <i>Health and social security expenses (presented separately from pension contributions)</i>		
Depreciation of non-current assets	(X)	(X)
Impairment and depreciation expenses	(X)	(X)
Other operating expenses	(X)	(X)
Other revenues	X	X
1. <i>Income from economic units where has participating interests (income from economic units within the group are presented separately)</i>		
2. <i>Income from investments and other loans part of non-current assets (income from economic units within the group are presented separately)</i>		
3. <i>Interests and other similiar income (income from economic units within the group are presented separately)</i>		
Depreciation of financial assets and investments held as current assets	(X)	(X)
Financial expenses	(X)	(X)
1. <i>Interest and similiar expenses (income from economic units within the group are presented separately)</i>		
2. <i>Other financial expenses</i>		
Profit/loss from participations	X	X

	2XX2	2XX1
Profit/loss before taxes	X	X
Profit	(X)	(X)
1. <i>Current tax</i>		
2. <i>Deferred tax</i>		
3. <i>Participation tax</i>		
Profit/loss of the year	X	X
Profit/loss for:	X	X
<i>Owners of the parent Company</i>		
<i>Non controlling interests</i>		

STATEMENT OF OTHER COMPREHENSIVE INCOME

	2XX2	2XX1
Profit/loss of the year	X	X
Other comprehensive income for the year:		
Differences (+/-) from currency translation in foreign activities	X	X
Differences (+/-) from revaluation of property and equipment	X	X
Differences (+/-) from revaluation of financial assets held for sale	X	X
Part of other comprehensive income for the year	X	X
Total of other comprehensive income for the year	X	X
Total comprehensive income for the year	X	X
Total comprehensive income/loss for:	X	X
Equity holders of the parent		
Non controlling interests		

CASH FLOW STATEMENT

(Indirect method)

Cash flow from operating activities	2XX2	2XX1
Profit for the year	X	X
Adjustments for non monetary items:		
Financial non monetary expenses	X	X
Expenses for tax on non monetary profit	X	X
Depreciation and impairment	X	X
Depreciation of long term material assets	X	X
Cash flow from investing activities:		
Proceeds from sale of property, plant and equipment	(X)	(X)
Changes in assets and liabilities:		
Decrease/(increase) in trade receivables and others	(X)	(X)
Decrease/(increase) in inventories	(X)	(X)
Increase/(decrease) in trade payables	X	X
Increase/(decrease) in employee related liabilities	X	X
Net cash generated from/(used in) operating activities	X	X
Cash flow from (used in) investing activities:		
Cash used in purchase of affiliates	X	X
Cash from sale of affiliates	X	X
Purchase of property, plant & equipment	X	X
Proceeds from sale of property, plant & equipment	X	X
Purchase of new investments	X	X
Proceeds from sale new investments	X	X
Dividends received	X	X
Net cash used in investing activities	X	X
Cash flow from/(used in) financing activities		
Proceeds from issue of ordinary shares	X	X
Proceeds from shares used as collateral	X	X
Proceeds from borrowings	X	X
Payment of transaction costs related to borrowings	(X)	(X)
Repurchase of own shares	(X)	(X)
Payment of shares used as collateral	(X)	(X)
Payment of borrowings	(X)	(X)
Payment of finance lease liabilities	(X)	(X)
Interest paid	(X)	(X)
Dividends paid	(X)	(X)
Net cash flow from financing activities	(X)	(X)
Net increase/decrease in cash and cash equivalent	X	X
Cash and cash equivalent on 1 January	X	X
Effects in exchange rate changes	X	X
Cash and cash equivalent on 31 December	X	X

STATEMENT OF CHANGES IN EQUITY
(Non-consolidated accounts)

	Share capital	Premiums	Revaluation reserve	Legal reserves	Statutory reserve	Other reserves	Retained earnings	Profit/loss of the year	Total	Noncontrolling interests	Total
Balance at 31 December 2XX0	X	X	X	X	X	X	X	X	X	X	X
Changes in accounting policy							(X)	(X)	(X)		(X)
Recalculated balance on 1 January 2XX1	X	X	X	X	X	X	X	X	X	X	X
Total comprehensive income for the year:											
Profit/loss for the year							X	X	X	X	X
Other comprehensive income:			X				X	X	X	X	X
Total comprehensive income for the year:			X				X	X	X	X	X
Transactions recognised directly in equity:											
Issuance of shares	X	X							X		X
Dividends paid									(X)		
Total of transactions	X	X	X	X	X	X	X	X	X	X	X
Recalculated balance at 31 December 2XX1	X	X	X	X	X	X	X	X	X	X	X
Recalculated balance at 1 January 2XX2	X	X	X	X	X	X	X	X	X	X	X
Total comprehensive income for the year:											
Profit/loss for the year							X	X	X	X	X
Other comprehensive income:			X				X	X	X	X	X
Total comprehensive income for the year:			X				X	X	X	X	X
Transactions recognised directly in equity:											
Issuance of shares	X	X							X		X
Dividends paid							(X)	(X)	X		X
Total of transactions	X	X					(X)	(X)	X		X
Balance at 31 December 2XX2	X	X	X	X	X	X	X	X	X	X	X

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.

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 to do 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



IFLR 1000, Top Tier Firm 2016

- Corporate
- Financial



Chambers Global, Top Ranked 2015

- General Business Law
- Leading Individuals



Chambers Europe, Top Ranked 2015

- 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 of the Year in Kosovo

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