

BOGA & ASSOCIATES

LEGAL • TAX • ACCOUNTING



INVESTMENT IN ALBANIA

8<sup>th</sup> edition

2013



# INVESTMENT IN ALBANIA 2013

8<sup>th</sup> edition

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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 endeavour 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 April 2013, 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 concluding any decision regarding investments. We would appreciate the opportunity to assist you in planning and implementing your investment in Albania.

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

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# Table of Contents

## Chapter 1 General Information

Fast Key Facts .....	9
Geography and Climate .....	10
Population and Language .....	11
Currency .....	11
Government and Political System .....	12
A Brief History of Albania .....	13
Visa System for Foreigners Traveling to Albania .....	16
Employment of Foreigners .....	18
Residence of Foreigners .....	20
Accommodation .....	21
Working Hours .....	21
Getting to Albania: Airport and Telecommunications .....	21

## Chapter 2 Economic Situation Overview

Basic Macroeconomic Indicators .....	23
Financial Sector .....	28
Trade Exchange .....	36

## Chapter 3 Business Sector Opportunities for Investment

Opportunities and Incentives for Foreign Investors .....	47
Privatization .....	50
Sovereign Rating .....	53

## Chapter 4 Business Law

Types of Business Entities .....	55
Registration with National Registration Center .....	58

Licensing of Different Business Activities .....	59
Accounting Regulations .....	61
Financial Statements and Certification Requirements .....	64
Audit Requirements .....	64

## **Chapter 5 Taxation of Businesses**

General .....	67
Residency .....	67
Corporate Income Tax .....	67
Withholding Taxes .....	71
Indirect Taxes .....	73
Local Taxes .....	75

## **Chapter 6 Taxation of Individuals**

General .....	81
Residency .....	81
Taxable Income .....	81
Tax – Exempt Income .....	82
Personal Income Tax Rates .....	82
Personal Income Tax Declaration .....	83
Social Insurance Contributions .....	84

## **Chapter 7 Labour Law**

General Issues .....	87
Working Conditions .....	88
Employment Contracts .....	89
Holidays/ Paid Leave (Annual and Other Leave) .....	93

## **Chapter 8 Acquisition and Registration of Immovable Properties**

Registration of Immovable Properties in Albania .....	95
Restrictions to Foreigners for Acquisition of Land .....	96

## **Chapter 9 Government Controls**

Competition Law .....	99
Agreements Restricting Competition .....	99
Control of Concentrations .....	100
Abuse of Dominant Position .....	101

## **Appendixes**

A. Useful Addresses .....	102
B. List of Banks and Other Funding Agencies .....	105
C. International Organizations, Government Institutions, Embassies .....	109
D. Banking System – Products and Services .....	114
E. Corporate Income Tax Declaration and Payment Form .....	115
F. Financial Statements Format .....	116
Boga & Associates services at a glance .....	122
Year 2012 in Boga & Associates .....	125
Achievements of Boga & Associates .....	127

CHAPTER 1

# GENERAL INFORMATION

## Fast Key Facts

Table 1

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**Location**

South East Europe

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**Area**

28,748 km<sup>2</sup>

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**Capital**

Tirana (est. population nearby 800,000 inhabitants)

---

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

2 821 977 (Census results as of 01 October 2011)

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**Avg Age**

31 yrs

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**Language**

Albanian

---

**Climate**

Mediterranean & Continental

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**Temp Avg**

6.80 C - 23.90 C; Rainfall Annual Avg 1371.6mm

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**<sup>2</sup>Annual FDI Inflows (2011)**

US \$ 992 million

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<sup>1</sup> Source: INSTAT

<sup>2</sup> Bank of Albania; Data available as for the first nine months of 2011

### **INFORMING SPACE: Albania's main relevant partners in economic development**

- WIPO (World Intellectual Property Organization) (1992);
- World Trade Organization (WTO) (2000);
- Stabilization Association Agreement (SAA) (2009);
- North Atlantic Treaty Organization (NATO) (2008);
- FTA, CEFTA, EFTA;
- Albania presented its application for membership in the European Union (2009).

### **Main International Financial Institutions present in Albania since early '90s**

- 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 a country situated in the southeast of Europe. It is located in the west of the Balkan Peninsula and covers a surface of 28,748 km<sup>2</sup>. Albania borders Montenegro and Kosovo in the north and northeast, Macedonia in the east, and Greece in the south. Albania occupies an important strategic location in the Balkans accessing the Adriatic and Ionian Seas in the west. The terrain is mostly mountainous.

The average altitude of 708 meters is about twice as high as the European average. The country offers numerous beautiful landscapes, archaeological sites, historic castles and other tourist attractions. The climate is Mediterranean with dry hot summers and cool rainy winters. Albania is in the Central European time zone and hence is one hour ahead of GMT. Between April and October it switches into daylight saving time, i.e. GMT+2.

## Population and Language

Results of the Population and Housing Census<sup>3</sup> conducted in October 2011, indicate that Albania has a total population of 2,821,977 inhabitants. According to the 2001 Census, the total population in 2001 was 3,069,275. Compared figures show that the population number decreased by 7.7 % in this decade, with main contributors being large scale emigration and fertility decline.

### *Resident Population.*

The resident population consists of 1,421,810 males (50.2 %) and 1,409,931 females (49.8 %).

### *Urban and rural areas*

For the first time in the history of population censuses in Albania, the population in urban areas is larger than in rural areas. 2011 census preliminary results show that 53.5 % of the population lives in urban areas and 46.5 % in rural areas.

The official language is Albanian. The Albanian language belongs to the Indo-European languages family. Italian and English are the most commonly spoken foreign languages in the country. Approximately 96 % of the population speaks Albanian, but there exists a small minority (3 %) that speaks Greek and Macedonian.

## Currency

Albania's official currency is the Lek (ALL). Bank of Albania (BoA) is in charge to design, approve, implement and retain under control the monetary policy. In year 2012, BoA issued the monetary policy document (2012-2014) with the aim of achieving and maintaining price stability.

The BoA is the sole institution vested with the right to issue banknotes in circulation, manages foreign currency reserves and supervises the banking system. More recently, the exchange rate trends of the Lek against the Euro and the US Dollar have reflected the performance of these two currencies in international markets. According to BoA,

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3 Source: <http://www.instat.gov.al/>; <http://census.al/>

individual developments of major basket currencies in the foreign exchange market for 2011 reflect a moderate depreciation of the Lek against the Euro and its appreciation against the US dollar. The Lek depreciated against the euro by 1.8 % in 2011, from 4.3 % in 2010, while it appreciated by 2.9 % against the US dollar, from 9.4 % in the previous year.

The exchange rate is 1 USD = 104.00 ALL and 1 EUR = 139.59 ALL (BoA, December, 2012).

## Government and Political System

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

The country is divided into 36 districts grouped into 12 regions. The Council of Ministers elects the prefects, as its representatives in the regions. Local elections are held every four years and out of these, district councils are elected. The latter appoint the District Governor. City mayors are directly elected by public ballot. The judicial system consists of the Constitutional Court, the Supreme Court, Appeal Court and District Court.

**INFORMING SPACE<sup>4</sup>:** Albanian parliament progress: According to European Commission Progress Report 2012, during years 2011 and 2012, Albania marked an important progress. All pending laws requiring a reinforced three-fifth majority vote were adopted, including notably amendments to the criminal and civil code and the long pending Law on Administrative Courts.

<sup>4</sup> *European Commission-Albania 2012 Progress Report (October 2012)*

## A Brief History of Albania

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

At the end of the 14th and the beginning of the 15th century, the Ottoman Empire began its expansion towards the Balkans and Albania became a battlefield. In 1443-1468 Gjergj Kastriot Scanderbeg, today a national hero united the Albanian provinces and organized a successful revolt against the Ottoman army. For 25 years the Turks were kept out of Albania. However, following the death of Scanderbeg the Ottoman Empire gained control of the entire country; the subsequent occupation lasted for about five centuries. Albania proclaimed its independence in 1912. At the London Conference of Ambassadors in 1913, the present borders of Albania were sanctioned by the great powers of the time.

In 1928 Ahmet Zogu declared Albania a kingdom and became “King of Albanians Zogu I”. He fled the country in April 1939, when Italy occupied Albania. After the capitulation of Italy, the Germans occupied Albania until the end of 1944. The Albanian Communist Party, later called the Labour Party of Albania (PPSH), led by Enver Hoxha, came into power after the defeat of the Germans at the end of World War II. For about 45 years Albania was under the rule of the most totalitarian regime in Eastern Europe. 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, first with the Soviet Union in the early 1960s, and then with China at the end of the 1970s, remaining totally isolated from the rest of the world. Inefficiency, mismanagement of the economic system and a disregard of human rights brought the country to stagnation.

With the fall of the Berlin Wall by the end of 1989 and when major political changes swept through the countries of the eastern block in the early 1990s, Albania, too, embarked on the road of transition towards a democratic society and a free market economy.

Supported by the international community, Albania made some initial progress and economic indicators were promising. However, a lack of strong institutions, incomplete financial reforms and an undeveloped banking sector led to the development of fraudulent pyramid schemes, in which most Albanians had invested their savings (the World Bank and IMF estimate that USD 1.2 billion was lost in these schemes). Their subsequent collapse in 1997 caused severe civil disorder. Over half a million weapons were stolen from military depots.

The new government elected in June 1997 made considerable efforts to restore law and order. A new constitution was approved by a national referendum in November 1998.

Nonetheless, the recovery process slowed in early 1999 with the outbreak of the Kosovo crisis. During this crisis, Albania, supported by the international community, hosted more than 450,000 refugees. After the conflict was resolved, following the intervention of the US and the EU, a Stability Pact for the entire Balkan region was designed with the intention of bringing economic development to the region, as well as social stability and empowerment of the democratic and legal institutions.

The new government elected in July 2005 had a challenging agenda. Its main targets were the development and consolidation of a democratic state by strengthening existing institutional infrastructure, fighting widespread corruption and restoring equality before the law, encouraging a fast and well balanced economic growth, integrating Albania into the European Union and NATO.

On 18 February 2006 the Government of Albania and the European Union signed the Stabilization and Association Agreement (SAA). SAA came into force on 1 April 2009 following its ratification by 25 European Union Member States which constituted the community at the time the SAA was signed, and by the Albanian Parliament.

The ratification process was concluded in less than 3 years and was completed with ratification by the Greek Parliament on 15 January 2009. This paved the way for Albania to submit on 28 April 2009 an application for EU candidate country status.

Albania and Croatia, which were invited to join the military alliance NATO at the Bucharest Summit in April 2008, formally became members when the accession process was completed on 1 April 2009.

## **INFORMING SPACE<sup>5</sup>: Albania's path towards EU Membership-progress and evaluations**

The Report on 2012 EU enlargement strategy released assessments of progress toward EU membership of the aspiring countries. According to this report, the EU and its 27 member countries remain committed to enlarge EU membership, and thereby reinforce the continent's peace, security, prosperity and international clout. The report outlines that *"Albania should be granted candidate status when the country completes key reforms"*. The following are what improvement Albania has seen covering October 2011-October 2012:

- *Albania has continued its good cooperation within the WTO and CEFTA. The administrative capacities of the institutions involved in trade policy remain to be improved;*
- *The functioning of parliament and political dialogue has considerably improved as a result of the November 2011 political agreement (e.g. adoption of all pending laws requiring reinforced majority, the appointment of an Ombudsman by consensus, the conduct of a hearing and voting process for the presidential nomination of a judge to the High Court, and adoption of amendments to the electoral code);*
- *There has been some progress with regard to the work of government (legislative drafting capacity and the planning process for aligning legislation with the acquis need to be further improved);*
- *Legislative drafting capacity and the planning process for aligning legislation with the acquis need to be further improved, notably through the effective implementation of the Council of Ministers decision on the National Plan for the Implementation of the Stabilisation and Association Agreement (NPISAA);*
- *In the area of free movement of goods, there has been progress as regards standardisation. Work needs to continue on legislative approximation with the acquis.*
- *The Law on Administrative Courts and the Law on the National Judicial Conference have been adopted;*
- *Albania continued to participate actively in regional cooperation initiatives, including the South-East European Cooperation Process (SEECP), the Regional Cooperation Council (RCC), and the Central European Free Trade Agreement (CEFTA);*
- *There was some progress in aligning legislation on indirect taxation with the acquis as well as in strengthening the capacity of the Tax Administration for investigation and internal audit;*
- *There are insufficient capacities for policy formulation. Some progress has been made in the area of statistics. INSTAT conducted a population and housing census in October 2011.*

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5 Conclusion for Albania: Extract from the Communication from the Commission to the European Parliament and the Council «Enlargement Strategy and Main Challenges 2012-2013»; EC 2012 Progress Report on EU Enlargement; as of October 2012

## Visa System for Foreigners Traveling to Albania

Albania is relatively easy to access. Before travelling to Albania, foreigners should contact the diplomatic and consular representations of the Republic of Albania abroad to check if rules have changed. Foreign citizens can enter the Republic of Albania after presenting valid passports and entry visas issued by diplomatic or consular representations of the Republic of Albania abroad. The passport should be valid for at least three months after the validity of the visa. Foreign citizens in possession of short/long term Schengen visa or of a residency permit issued by a country part of the Schengen Agreement are allowed to enter, stay, and transit in the Republic of Albania within the period of validity of the visa or residency permit.

### *Holders of ID cards*

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

### *Chart 1 – Country*

Australia	Norway
Canada	San Marino
Iceland	Switzerland
New Zealand	USA

### *Holders of Ordinary Passports*

Foreign citizen holders of ordinary passports can enter Albania without an entry visa if they are citizens of countries noted in Chart 2. They have to present their valid passports at the border crossing point, and are allowed to stay up to 90 days within a 180-days period. Foreign citizens must have the necessary currency to sustain themselves during their stay in the Republic of Albania.

### *Chart 2 – Country*

Argentina	Chile	Monaco
Israel	Liechtenstein	Ukraine
Montenegro	Turkey	Armenia
Andorra	Croatia	Azerbaijan
Japan Singapore	Malaysia	Taiwan
Brazil	Vatican	Serbia
Kosovo	FYROM	Hong-Kong
South Korea		

Additionally, holders of national passports of the following countries such as: Saudi Arabia, Qatar, Oman, Bahrain, Kuwait are subject to the same visa regime that these countries apply with respect to European Union.

### *Holders of Diplomatic and Service Passports*

Foreign citizens, holders of diplomatic or service passport of the countries noted in Chart 1 and Chart 2, of the countries with which there is a bilateral agreement, as well as of the countries given in Chart 3, can enter the Republic of Albania without a visa. The aforementioned citizens are allowed to stay in Albania for up to 90 days within a 180-days period.

### *Chart 3 – Country*

Algeria	South Africa
Moldavia	Russia
Uruguay	Costa Rica
Bosnia and Herzegovina	Ukraine
Vietnam	

## Employment of Foreigners

### *Work permit*

The competent authority on issuance of the work permit is the Directorate of Migration Policies near the Ministry of Labour and Social Affairs and Equal Opportunities. However, should foreign citizens fall into any of the following categories an exemption from the work permit is provided:

- (i) counselors or advisors of governmental institutions;
- (ii) members of technical assistance missions of international organizations attached to governmental institutions;
- (iii) representatives of the international organizations having diplomatic status;
- (iv) foreigners who in accordance with the international law enjoy diplomatic privileges and immunities;
- (v) staff of international transportation companies, staying no longer than three months in the Albanian territory;
- (vi) foreign members of the military forces or civil units of a NATO member;
- (vii) persons holding more than one citizenship, one of which is the Albanian citizenship;
- (viii) representatives of mass media, correspondents or reporters, accredited in the Republic of Albania, who work for foreign employers;
- (ix) foreigners who negotiate an agreement or participate in a trade exposition for a duration up to one month;
- (x) foreigners, who within one month, undertake installation of machineries or constructions which are delivered by a foreign company, and are also in charge with its maintenance and training of the local staff;
- (xi) representatives of non for-profit governmental organizations who are not remunerated for their work;

(xii) representatives of religious or humanitarian institutions registered with the Albanian competent authorities who are not remunerated for their work;

(xiii) crew of ships or aircrafts with a temporary staying up to three months in the Republic of Albania;

(xiv) business visitors who stay less than one month in the Republic of Albania;

(xv) lecturers, researchers who come in the Republic of Albania pursuant to bilateral agreements or educational institutions agreements.

The documents required to be filed for obtaining the work permit are the following:

1. Personal request with the foreigner's data as per the standard application form filled in and signed by the foreign citizen;
2. An extract of registration of the employer issued by the National Registration Center;
3. Individual employment contract;
4. Copy of the passport of the foreign citizen;
5. Five (5) photos.

The above documents might slightly vary depending from the type of the work permit requested. The application file should be submitted with the Directorate of Migration Policies. The said Directorate must notify its decision on issuance or exemption from the work permit within 10 working days from the date of the submission of the documentation; anyhow, in practice the work permit is issued within one month period.

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

## Residence of Foreigners

The competent authority for the issuance of residency permits for foreigners is the Border and Migration Department near the General State Police Directorate. In order to obtain a residence permit, the following documents must be submitted at the Local Police Station, where the foreign citizen resides:

1. Application form (pre-stamped form) for the residence permit to be filled in and signed by the applicant;
2. Passport of the applicant as well copy of the pages bearing official notes (the passport should be valid for at least 3 months after the expiry of the residence permit term);
3. Legalized criminal record certificate of the applicant obtained in the country of origin issued in the last 6 months;
4. Lease contract of the premises where the applicant is residing;
5. Legalized birth certificate, obtained in the country of origin issued in the last 6 months;
6. 2 (two) photos;
7. Declaration issued by the employer on the reasons of staying of the foreigner;
8. Copy of the work permit.

The official fee for issuance of the one year duration residence permit, payable to the Local Police Station, is Leke 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 shall be issued within 30 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 at the time of delivery of such documents as well as at the time of collection of 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, applicable in Albania since 2003.

They shall be then translated into the Albanian language and notarized by a licensed notary service.

## 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 respective rates is: [www.albania-holidays.com](http://www.albania-holidays.com). Foreign citizens that plan to stay longer in Albania can rent houses and apartments. The rental cost for a 100 m<sup>2</sup> apartment situated at the heart of Tirana is approximately 400 Euros. There are several real estate agencies operating in Tirana, although the market is under-developed. The best way to find good accommodation is through Albanian colleagues or the international community.

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

## Working Hours

The public administration works five days a week from 08.00 to 16.30 hrs Monday through Thursday. Working hours on Friday are from 08.00 to 14.00 hrs. The Banks operate from 08.30 to 15.30 hrs, whereas most shops are open everyday from 09.00 to 20.00 hrs.

## Getting to Albania: Airport and Telecommunications

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

Mobile communication services are offered by four operators, Albanian Mobile Communications, Vodafone Albania, Eagle Mobile and Plus Communications, with coverage across almost all Albanian territory.

CHAPTER 2

# ECONOMIC SITUATION OVERVIEW

## Basic Macroeconomic Indicators

Situated in the center of a natural crossroads of major transit corridors in Europe, Albania is placed in a strategic economic and geographic position.

Described as a reforming country with focus on the ease of doing business, free market access, average low taxes and important set of 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. Since years, the Albanian economy moves quickly towards a more open and liberal model with inward investment playing a key role in the overall economic transformation.

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

**Current economic situation:** According to results reported by BoA, global economic growth decelerated in 2011, and a significant fall in remittances driven by the crisis is envisaged; this also affected many Albanian nationals who returned back from neighbor countries such as Italy and Greece.

Year 2011, according to Albanian National Institute of Statistics (INSTAT), was another year of economic growth for Albania, achieving 2.7 % the first nine months, whereas indirect quantitative data suggests an acceleration of the economy during the fourth quarter of 2011.

Economic growth was driven by foreign demand and a slight fiscal stimulus. Meanwhile, private investments and consumption remained weak, mainly as a result of uncertainty surrounding consumers and businesses decision making process.

Monetary policy has been oriented towards respecting and maintaining price stability. The policy has been increasingly stimulating, which reflects developments in the real economy and the expected inflation performance. The analysis revealed by BoA indicates that falling

growth rates affected also public spending, which determined ensuing of budget cuts during 2012, with an impact on service delivery.

Overall, macroeconomic stability has been maintained, as Albania was less affected by adverse external economic conditions. Monetary policy has successfully helped to keep inflation stable and anchor inflationary expectations.

### *Macroeconomic Indicators*

In 2011, Albanian economy continued to grow at contained rates, likewise in the last two years. Comparing to 2010, in 2011 inflation expectations were once more characterized by low positive values, averaging at 3.5 % annually (as of end 2011), while the real GDP estimated to increase on average at 2.7 % in the first nine months of the year, with significant volatility across the quarters. Although increase in aggregate demand was slow in 2011, net exports in real terms continued to provide a positive but lower contribution to 2011's economic growth.

Table 2

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Nominal GDP</b>					
<b>ALL (Bln)</b>	968	1,088	1,007.60e	1,242.418e	1,314.700e
<b>Nominal GDP</b>				Not yet available	Not yet available
<b>USD (Bln)</b>	11.3	12.68	12.2	available	available
<b>Nominal GDP/</b>				Not yet available	Not yet available
<b>Capita (USD)</b>	3,256	4,073	3,864	available	available
<b>Real GDP</b>	6.00	8.00	3.3	3.81	3.02
<b>Retail prices</b>					
<b>(avg.)</b>	2.9	4	2.3	3.6	3.5
<b>Retail prices</b>					
<b>(end of period)</b>	3.1	3.9	3.7	3.3	1.7

Source: INSTAT, Ministry of Finance, Bank of Albania – Annual Report 2011, IMF; e (estimated value)

From the viewpoint of value-added, the economic growth was generated by the contribution of both production and services sectors, specifically reflecting the better performance of transport, trade and agriculture branches.

The following table outlines the source of Albanian Gross Domestic Product covering years 2005 to 2011:

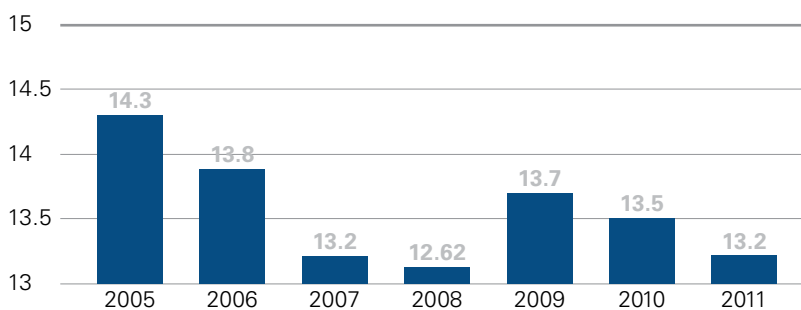
Table 3

In % of Total	2007	2008	2009	2010	2011
<b>Industry</b>	9.3	10.47	10.42	11.67	Not yet available
<b>Agriculture</b>	18.9	20.25	20.6	20.8	Not yet available
<b>Construction</b>	14.6	15.89	13.76	11.73	Not yet available
<b>Transport</b>	5.5	4.94	4.87	5.21	Not yet available
<b>Other Services</b>	51.7	48.45	50.35	50.59	Not yet available

Source: Bank of Albania - Annual Report 2011

Graph no 1 as below shows the unemployment rate between the years 2005 and 2011:

Graph 1: Unemployment during years



Source: INSTAT, Bank of Albania

## *Fiscal Indicators*

According to BoA's yearly report (2011), budget revenues grew slowly in 2011 due to the combined effect of several factors simultaneously: the country's economic performance, tax policy in force and revenue structure. Budget revenues and public spending totaled ALL 330.5 billion and ALL 376.2 billion respectively, which constitute 25.4 % and 28.2 % of GDP. The revenue indicator as a share of GDP is the lowest in the last five years, reflecting, inter alia, the effects of revenue structure and slow economic growth over this budget year. Total revenues marked an annual increase of 1.8 % in 2011.

VAT revenues, which represent the highest share (about 39.2 %) of tax revenues, reflected a slower performance in 2011, increasing by 4.6 %. On the other hand, excise tax revenues pursued a similar trajectory to that of VAT revenues, confirming the presence of weak consumption over most of 2011. Their annual growth rate for 2011 resulted about 4.2 %. Tax on profit was the item with the highest annual growth for this year, about 12 %. In fact the annual growth rate of tax on profit resulted to be more moderate than 12 % (at about 5.4 %; this figure doesn't comprise the tax on profit paid by KESH and Albpetrol, in May 2011).

Developments in revenue and expenditure items were materialized in a budget deficit of ALL 45.7 billion, which accounts for about 98 % of the budget plan for 2011. In terms of GDP, the deficit is estimated at about 3.5 %, a ratio very close to its long-term trend. In 2011, the budget deficit was financed according to the traditional method, i.e. domestic debt instruments issuance and external borrowing for project financing. Overall, in 2011, the increase in domestic borrowing for deficit financing was composed of 40 % treasury bills and 60 % bonds. The final composition of net budget deficit financing for 2011 resulted 59 % in the ALL-denominated borrowing and the rest in foreign-currency denominated borrowing (through foreign projects).

Table 4

	2007	2008	2009	2010	2011
<b>Revenues</b>	25.7	27.7	26.2	26.5	25.4
<b>Expenditures</b>	29.1	32.9	33.2	29.6	28.2
<b>Overall Balance</b>	-3.4	-5.2	-7	-3.1	-2.8

Source: Ministry of Finance, IMF, Bank of Albania

## Monetary Indicators

In 2011, monetary developments reflected in the consecutive key interest rate decrease, and in liquidity injection, offering appropriate conditions for increasing the financial intermediation. In real terms, broad money increased by 7.3 % in 2011, down by 1.5 % points from the previous year. Overall, the matching of money demand by money supply transmits contained monetary pressures on inflation.

Private sector credit has been characterized by ongoing positive growth rates and added impulse supportive to the economic activity. As at end of 2011, it accounted for 40.2 % of GDP or up 1.7 % points. The comparative analysis of the private sector credit with countries of the region reveals that Albania is among the few countries with a good performance of lending activity in Central and South-East Europe.

Further, the demand for financing and the deposit interest rates result lower than in the previous year, but at attractive levels for collecting savings in both lek and foreign currency. In contrast to a year earlier, the foreign exchange market pressures have been low and the lek's exchange rate against major currencies has been stable, a supportive factor to subdue inflationary pressures in the country.

Table 5

	2007	2008	2009	2010	2011
<b>ALL / USD</b>	90.4	83.9	95	103.9	100.84
<b>ALL / EUR</b>	123.6	122.8	132.1	137.8	140.34
<i>Annual ALL Interest Rates- End of Period</i>					
<b>Deposits</b>	6.33	6.79	5.46	5.09	4.93
<b>Loans (weighted avg.)</b>	13.57	12.82	13.16	11.84	10.82
<b>T-bills</b>	7.99	8.56	9.14	6.98	6.91
<b>Core Interest Rate ( % )</b>	6.25	6.25	5.25	5	4.75
<i>Amounts in ALL (Bn) - End of Period</i>					
<b>Deposits</b>	602.2	653.5	662	785	<i>Not yet available</i>

	2007	2008	2009	2010	2011
<i>Loans</i>	293.86	396.26	440.40	483.13	541.90
<b>Credit to Economy (in % of GDP)</b>	30.4	36.4	38.4	39.5	41.6

*Source: Bank of Albania – Annual Report 2011*

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

The World Bank Group Country Partnership Strategy for Albania covers the period 2011 to 2014 and envisages a lending programme of up to USD 275 million from International Bank for Reconstruction and Development (IBRD) and USD 120-150 million from the International Financial Corporation (IFC). The previous World Bank Group Country Assistance Strategy for Albania was approved on January 10, 2006 and covered the period 2006-2009.

## Financial Sector

Bank of Albania (BoA) plays an important role in the national statistical system, as the responsible institution 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 import and export, international investment position, exchange rates and external debt.

During 2011, BoA continued to compile and distribute monetary statistical services in all its forms.

### *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 BoA.

## *Central Bank*

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

Specifically, BoA has exclusive power and responsibility 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 have the following obligations to:

- report monthly to BoA. These reports should include the balance sheet and profit and loss account for the month, foreign currency balances, changes, if any, within the management of the Board of Directors of the bank, data on the bank 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, regulatory capital;
- maintain the compulsory reserve required by the regulatory acts of BoA;
- 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 or higher than ALL 1.000.000, or its equivalent in other currencies, executed as a single transaction or as a several related transactions within 24 hours;
  - all other suspected transactions.
- maintain an open currency position with certain limits established by BoA;
- comply with the provisions of the regulation on foreign exchange activities as approved by BoA.

### *Banking Industry Composition*

Regarding the number of banks in Albania a similar picture is found counting 16 operating banks. In 2011, Albania counts 2 Unions of Savings & Loans Associations and 126 Savings and Loans Associations.

Currently, there are 19 non-banking financial entities operating in the Albanian finance market.

List of Banks and their respective presence as at the end of 2011:

Table 6

<b>Nr.</b>	<b>Banks</b>	<b>Number of branches</b>	<b>Number of branches abroad</b>	<b>Number of Agencies</b>
1	Raiffeisen Bank	103		-
2	United Bank of Albania	4		2
3	National Commercial Bank	53	1	4
4	Veneto Bank	9		-
5	Tirana Bank	52		4
6	Branch of the National Bank of Greece	5		22
7	International Commercial Bank	9		-
8	Alpha Bank	46		1

<b>Nr.</b>	<b>Banks</b>	<b>Number of branches</b>	<b>Number of branches abroad</b>	<b>Number of Agencies</b>
9	Intesa Sanpaolo Bank Albania	17		14
10	ProCredit Bank	24		17
11	First Investment Bank	5		4
12	Credit Agricole	13		11
13	Credit Bank of Albania	1		2
14	Credins Bank	28		6
15	Societe Generale Albania	44		-
16	Union Bank	15		14

Source: Bank of Albania – Annual Report 2011

The following table presents the structure of entities licensed by BoA from 2005 to 2011:

Table 7

<b>Cumulative</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Banks</b>	17	17	18	16	16	16	16
<b>Financial Institutions (Non-banks)</b>	7	6	6	7	13	17	19
<b>Foreign Exchange Bureaus</b>	58	60	112	189	221	284	301
<b>Savings and Loans Associations</b>	131	125	130	133	135	126	126
<b>Unions of Savings &amp; Loans</b>	2	2	2	2	3	2	2

Source: Bank of Albania–Annual Report 2011

In 2011, banking system profitability was positive, nevertheless, it was lower compared to the previous year due to the net result decline and financial profit of the system drop. The large increase of provisions was a determining factor for this result. The net operational profit would

have been otherwise up by about 7.7 %, which indicates that banks, in general, have reached stable net volume and profit from their main banking activities.

Table 8

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>In ALL (bn)</b>					
<b>Net Results</b>	9.98	7.33	3.54	6.72	0.71
<b>In Percentage</b>					
<b>ROA</b>	1.48	0.91	0.42	0.72	0.07
<b>ROE</b>	20.32	11.35	4.58	7.58	0.76

Source: Bank of Albania – Annual Report 2011

The table below provides some insight on the portfolio composition in the banking industry and the relative developments over the last seven years.

Table 9

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Loans</b>	293.86	396.26	440.40	483.13	541.90
<b>Individuals</b>	107.8	140.9	146.8	149.1	148.9
<b>Companies</b>	182.0	242.1	275.5	315.9	364.4
<b>% of Deposits</b>	48.8	63.9	66.5	61.5	61.9
<b>% of GDP</b>	30.4	36.4	38.4	39.5	41.6
<b>In ALL (bn)</b>					
<b>Money outside the Banks</b>	154.96	195.82	209.04	195.06	194.92

Source: Bank of Albania, Ministry of Finance, IMF

#### *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. Ten insurance companies continued to operate in 2011, of which six were Non-Life

insurance companies, two Life insurance companies, one combined Life and Non-Life insurance company, and one Non-Life insurance and reinsurance company. During the course of 2011, the Albanian insurance industry continued to grow, albeit at a lower rate than one year before. Gross Written Premiums increased by nearly 0.2 % in the insurance market in 2011 compared with one year before counting ALL 8.215 million, while Gross Paid Claims achieved at ALL 2.212 million.

Table 10

	2009	2010	2011
	In ALL (mln)	In ALL (mln)	In ALL (mln)
<b>Compulsory Insurance</b>	4,191	4,259	3,727
<b>Voluntary Insurance</b>	3,686	3,947	4,488
<b>Of which</b>			
<b>Life</b>	723	849	941
<b>Non-life</b>	7,083	7,302	7,256
<b>Reinsurance accepted</b>	72	55	18
<b>Total</b>	7,878	8,206	8,215

Source: Financial Supervisory Authority, Annual Report 2011

Gross written premiums of voluntary insurance amounted to approximately ALL 4.5 billion in 2011, about 13 % more than in 2010. The rise was related to both voluntary Non-Life and Life insurance. It should be noted that accident and health insurance was the most dynamic line in the insurance market, with an annual increase by 91 % in gross written premiums. The factors resulting in this positive development include the special increase in the volume of private health insurance premiums. Private health insurance has been especially encouraged by the presence of Austrian expertise in the Albanian market.

On the other hand, for the first time in 2011, the compulsory motor vehicle insurance (MTPL) did not dominate the market structure, accounting for 45 % of revenues from gross written premiums. This change in the market share structure in favor of voluntary insurance came also as a result of the significant fall in the volume of gross written premiums in domestic MTPL. Gross written premium of domestic

motorized vehicle insurance were about ALL 2.2 billion in 2011, about 25 % less than in 2010. In 2011 the Albanian non-life insurance market was comprised of the following companies:

Sigal Uniqa Group Austria (33 %); Sigma Vienna Insurance Group (13 %); Interalbanian (10 %); Atlantik (10 %); Intersig Vienna Insurance Group (10 %); Eurosig (8 %); Insig (8 %) and Albsig (8 %).

Sigal-Uniqa Group Austria was the leading company in the market, with 33 % of gross written premiums.

The market for life insurance is comprised of the following companies (with respective market shares as at end of the year 2011):

Sigal-Life Uniqa Group Austria (54 %), Sicred (24 %) and Insig (22 %).

Sigal-Life Uniqa Group Austria, was the leading company in the market, with about 54 % of gross written premiums.

An analysis of the ratio of claims paid versus premiums written by insurance companies through the years is presented as below.

Table 11

	2007	2008	2009	2010	2011
<b><i>In ALL (mil)</i></b>					
<b><i>Claims</i></b>	1,294	1,571	1,725	2,292	2,215
<b><i>Premiums</i></b>	5,935.37	7,059	7,877	8,206	8,215
<b><i>Claims/Premiums</i></b>	22 %	22 %	22 %	28 %	26 %

Source: Albanian Financial Supervisory Authority (AFSA)

## INFORMING SPACE:

To date, the Albanian insurance market can offer any kind of guaranty, to any kind of investment, of any value. As below are described main features composing the Albanian insurance market:

### 1. Financial figures

- Total Capital 54.2 million EUR (year 2011);
- Total Technical Reserves 54.5 million EUR (year 2011);
- Gross Written Premiums 59.7 million EUR (year 2011).

### 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.

### 3. Market structure Gross Written Premiums - Main groups 2011

Graph no 2: Breakdown of Non-Life premiums, 2011



Source: Albanian Financial Supervisory Authority, Annual Report 2011

## Trade Exchange

During the 5-years period 2007-2011 the export and import of goods increased in a gradual way except 2009. In 2011 the export of goods increased 21.9 % and import of goods increased 13.9 %, compared with the previous year. In 2011 the percentage of covering is 36.2 compared with 33.8 % in 2010. The export of goods from inward processing of textile products and footwear are the products that dominated the Albanian export for the period 2007-2011. In reality, this is not pure export, but is reexport from inward process. In our country there are many enterprises of "façon", so it explains the great quantity of textile production and footwear exported. In 2011 the export of "Textile and their production" covered 32.6 % of export.

In 2011, the import value is dominated from the import of group commodities of "Machineries, equipments and spare parts" and "Food, beverages, tobacco" covering respectively 20.2 % and 16.9 %. In 2011 the import of vegetable, as part of import of agriculture products, decreased 23.5 %; while the import of fruits decreased 14 %, compared to the previous year. In 2011, our main partners are Italy and Greece. Export to EU countries for 2011 is 72.7 % of total export, increasing by 33 %. Import of goods from EU countries is 62.7 % of total import, increasing by 10.6 %, compared with the previous year. Albania continues to reinforce her economy in international trade through the regional integration. This integration, as an initiation of international institutions, where Albania is part, is developed in implementation of principles and economic trade obligations defined in the official document of Memorandum of Understanding for the Liberalization and Facilitation of Trade, FTA, (FYROM, Croatia, Montenegro, Bulgaria, Bosnia-Herzegovina, Romania, Kosovo, Moldova). Export of goods with Free Trade Agreement countries increased in 2011 49.8 % and import of goods from Free Trade Agreements increased 8.9 %, compared with the previous year. Albania signed a Free Trade Agreement with Republic of Turkey. This agreement entered into force on 01/05/2008, after ratifying through law no. 9733 date 14/05/2007. After this agreement in 2010 the export of goods from Turkey increased by 51.3 %, compared with year 2009.

**INFORMING SPACE:** Albania signed a Stabilization and Association Agreement (SAA) with the European Union in June 2006 as the first step toward EU membership and submitted a full application for membership in April 2009. Once the SAA entered into force, it further liberalized trade between EU and Albania. A free trade area between Albania and the EU was established. Under this agreement, customs duties on Albanian industrial products entering the European market are reduced to zero. The same rule applies to most Albanian agricultural products while for others customs duties it will be continually reduced until they are also eliminated. The liberalization rate on Albanian products which enter the EU market is evaluated to be 98 %. SAA still governs the political dialogue and regional cooperation, trade provisions related to the liberalization of exchanges which is progressive, community freedoms and cooperation matters such as in the area of justice.

As a result of engagements undertaken by Albania for harmonization of its legislation with the *acquis communautaire* under the SAA, Albanian legal framework is in process of reorganization.

Parallel to such process, Albanian government has adopted different legal amendments in terms of fiscal incentives aiming to incite investments in Albania.

**Highlight:** Albania has signed free trade agreements with EU, CEFTA and EFTA countries as well as with Turkey. Since September 2000, Albania is also a member of WTO and applies WTO rules on import licensing.

### *Key Trade Statistical Data*

Albania's trade structure has experienced some change as compared to 2010. Exports represent 26.6 % of the total trade flows during 2011 expressed in ALL. This indicator has increased consistently from 2009 (19.3 %) and 2010 (25.1 %). Total trade flows experienced an increase of 15.6 % (19.3 % USD, 16.1 % in EUR) as compared to 2010. These changes were caused by the increase of both, exports and imports' flows. Total exports reached ALL 197,459 million and experienced an important increase of 22.6 % as valued in ALL (increased by 20.3 % as valued in EUR and 26.5 % as valued in USD).

Total imports reached ALL 544,004 million and experienced increase of 13.3 % (and an increase of 16.9 % in USD and 11.1 % in EUR).

Table 12 provides an overview of information on exports and imports values share, to total and growth rate based on the classification of goods by sections.

Table 12

No	Structure of imports and exports flow/ Description	Imports			Exports		
		Value of Imports (Mln ALL)	Share on total (%)	Growth rate (%)	Value of Exports (Mln ALL)	Share on total (%)	Growth rate (%)
1	Live animals: animal origin products	15,948.00	2.9 %	6.0 %	2,422.80	1.2 %	5.9 %
2	Vegetable products	27,942.00	5.1 %	12.3 %	4,427.20	2.2 %	36.2 %
3	Animal grease and oils or vegetal and its products	6,899.00	1.3 %	21.4 %	240.30	0.1 %	128.7 %
4	Prepared food; drinks, alcoholic beverages and wine	41,192.00	7.6 %	-1.1 %	4,049.80	2.1 %	10.5 %
5	Mineral products	102,339.00	18.8 %	38.7 %	58,804.10	29.8 %	31.2 %
6	Chemical industrial products or alloys	40,637.00	7.5 %	6.2 %	1,545.60	0.8 %	250.5 %
7	Plastic and its products; tire and its products	19,512.00	3.6 %	7.3 %	1,266.90	0.6 %	17.0 %
8	Unprocessed and processed leather, coats and their products	9,423.00	1.7 %	12.1 %	2,925.60	1.5 %	13.8 %
9	Wood and its products; charcoal; cork and its products	7,251.00	1.3 %	-0.8 %	1,675.90	0.8 %	5.5 %

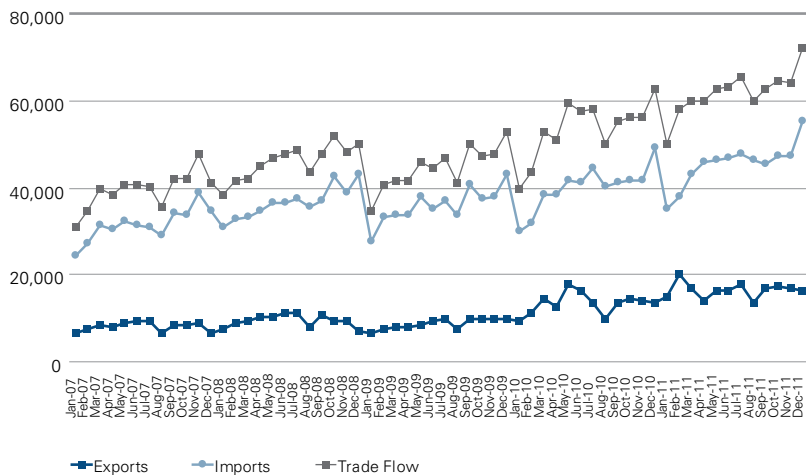
No	Structure of imports and exports flow/ Description	Imports			Exports		
		Value of Imports (MIn ALL)	Share on total (%)	Growth rate (%)	Value of Exports (MIn ALL)	Share on total (%)	Growth rate (%)
10	Wood or other fiber	13,186.00	2.4 %	-0.9 %	2,881.60	1.5 %	-10.0 %
11	Textile and its products	39,757.00	7.3 %	7.8 %	33,781.30	17.1 %	11.6 %
12	Footwear and hats, umbrellas and parasols, walking stick	10,832.00	2.0 %	15.1 %	30,290.80	15.3 %	19.2 %
13	Stone, gypsum, cement and their products	15,031.00	2.8 %	-0.6 %	1,244.80	0.6 %	38.8 %
14	Natural or cultivated pearls, jewelry...	615.00	0.1 %	-12.4 %	337.40	0.2 %	-17.3 %
15	Main metals and their products	67,029.00	12.3 %	8.8 %	40,523.20	20.5 %	28.6 %
16	Mechanic, electric machinery and equipment ...	77,642.00	14.3 %	13.8 %	6,870.90	3.5 %	14.8 %
17	Vehicles	32,528.00	6.0 %	31.3 %	1,049.50	0.5 %	102.6 %
18	Optic, photographic, cinematographic, musical instruments...	6,690.00	1.2 %	-7.8 %	212.70	0.1 %	49.0 %
19	Weapons and munitions and their equipment	352.00	0.1 %	15.7 %	193.80	0.1 %	-50.1 %
20	Different manufactured products	9,167.00	1.7 %	0.4 %	2,712.50	1.4 %	17.0 %
21	Works of art, collection and antique pieces	3.00	0.0 %	-98.4 %	2.40	0.0 %	-98.4 %

Source: ACIT-Albanian Center for International Trade; Albanian Customs General Directorate

Data released by Albanian Custom General Directorate for 2011 represent exports volume (expressed in ALL) also confirming the positive trend of 2010 (see graph 3 and 4). Generally, exports were characterized by a strong and steady positive trend from 2002, but as exports were highly concentrated in structure (products and geographic markets), they appeared highly vulnerable from the crisis that hit the global economy in 2009. This high concentration around labor intensive, low value added inward processing products and raw materials have transmitted quickly the contracting world demand effect on Albanian export flows. With the recovery of these main sectors in European partners of Albania, export flows started increasing since the end of 2009 and continued a very positive trend during 2010 and kept positive increase figures during 2011 (although with less increase as compared to 2010).

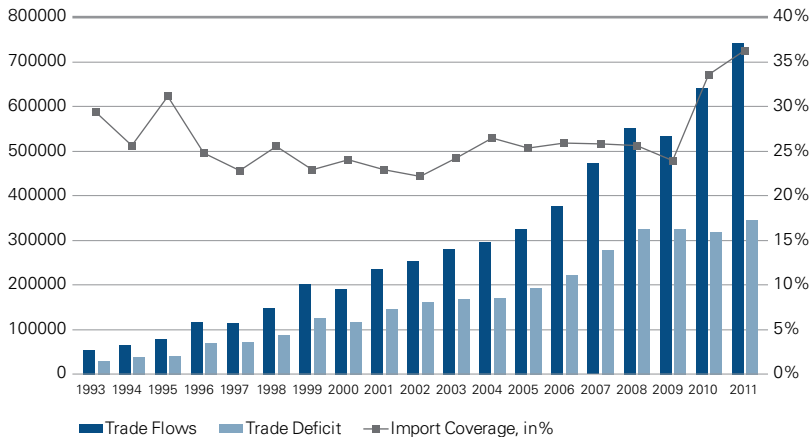
Total exports in 2011, amounted to ALL 197,459 million and increased by 22.6 % as compared to 2010. The most important increase of exports was concentrated during the first half of 2011. The recovery continued in the second half of the year. This increase is due mainly to main metals and electrical energy export and also to the fact that the main sectors have improved their performance.

Graph 3. Monthly Trade Flow 2007-2011 (mln lekë)



Source: ACIT-Albanian Center for International Trade; Albanian Customs General Directorate

Graph 4. Trade flows (mln lekë), trade deficit (mln lekë) and import coverage (in %), 1993-2011



Source: ACIT-Albanian Center for International Trade, Annual report 2011

Table 13

MIn	2007	2008	2009	2010	2011
<b>ALL</b>					
<b>Exports (E)</b>	97,171.00	112,572.00	103,247.00	161,009.00	197,459.00
<b>Imports (I)</b>	376,194.00	439,894.00	431,102.00	480,191.00	544,004.00
<b>Volume (I+E)</b>	473,365.00	552,466.00	534,349.00	641,200.00	741,463.00
<b>Deficit (I-E)</b>	279,023.00	327,322.00	327,855.00	319,182.00	346,545.00
<b>Coverage (E/I)</b>	25.8 %	25.6 %	23.9 %	33.5 %	36.3 %
<b>Exports growth</b>	25.5 %	15.8 %	-8.3 %	55.9 %	22.6 %
<b>Imports growth</b>	25.6 %	16.9 %	-2.0 %	11.4 %	13.3 %
<b>Volume growth</b>	25.6 %	16.7 %	-3.3 %	20.0 %	15.6 %
<b>Deficit growth</b>	25.7 %	17.3 %	0.2 %	-2.6 %	8.6 %

Source ACIT-Albanian Center for International Trade; Albanian Customs General Directorate

Table 14

<b>Foreign Trade (weighted data)</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Exports</b>					
<b>(Ton)</b>	1,633,296.00	1,687,884.00	1,566,511.00	2,647,652.00	3,415,795.00
<b>Imports</b>					
<b>(Ton)</b>	4,725,882.00	4,661,142.00	5,298,276.00	4,690,263.00	4,454,854.00
<b>Exports growth</b>					
	70.1 %	3.3 %	-7.2 %	69.0 %	29.0 %
<b>Imports growth</b>					
	-4.7 %	-1.4 %	13.7 %	-11.5 %	-5.0 %

Source ACIT-Albanian Center for International Trade; Albanian Customs General Directorate

Table 15

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Trade in goods</b>					
	<i>In ALL (mln)</i>				
Exports FOB	97,171	112,572	104,515	161,548	196,897
Imports CIF	376,194	439,894	428,839	477,768	544,004
Trade Balance	-279,023	-327,322	-324,324	-316,220	-347,107
Memorandum Item:					
Exports/Imports (%)	25.6	24.4	33.8	36.2	36.2

Source: INSTAT, Foreign Trade Report 2007-2011

#### *Geography of Trade in 2011*

During 2011, the structure of geography of trade has not changed significantly, as compared to 2010, but further shifts in shares total trade flows, following last year's tendencies, are observed. The most important trade partner of Albania accounting for the highest share of exports to and imports from, remain the EU-27 countries. Exports to the EU-27 countries account for 72 % of total exports, having experienced a light increase of 2 % points in relative share as compared to the previous year. The yearly growth rate of exports to EU countries was 26 %. Imports from EU-27 countries account for 65 % of total imports.

Their share has decreased by 4 % points. The second most important group of countries in terms of trade is the countries of the region (SEE countries). Their relative share of total exports reached 12 %, where Kosovo is the main trading partner, and the share of total imports of the countries of the region reached 9 %.

Other main countries export shares, to the total trade flows, have experienced a slight decrease of 1 %. This is in contrast to the previous year where they increased by 266 % as compared with 2009. These countries represented 14 % of total exports of Albania.

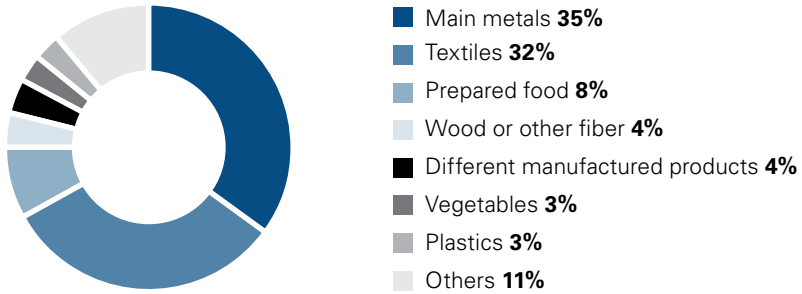
Table 16

	<b>Exports (2011)</b>	<b>Imports (2011)</b>
<b>Partner countries of Total</b>	<b>% of Total</b>	<b>% of Total</b>
<b>EU-27</b>	72.7	62.7
<b>Greece</b>	5.1	10.6
<b>Italy</b>	53.3	30.5
<b>SEE Countries</b>		
<b>Kosovo</b>	7.4	0.8
<b>FYROM</b>	2.1	1.6
<b>Serbia &amp; Montenegro</b>	2.7	3.9
<b>Croatia</b>	0.2	1.3
<b>Bulgaria</b>	1.2	1.3
<b>Romania</b>	0.2	1.0
<b>China</b>	2.5	6.4
<b>Turkey</b>	7.4	5.6

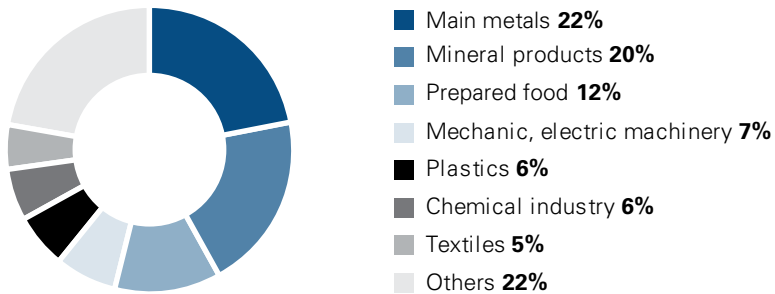
Source: INSTAT, Foreign Trade Report 2007-2011, ACIT-Albanian Centre for International Trade-Annual Report 2011

Italy and Greece remain in 2011 Albania's most important trading partners. Graphs 5, 6, 7 and 8 as below, show data representing structure of imports and exports respectively with Greece and Italy.

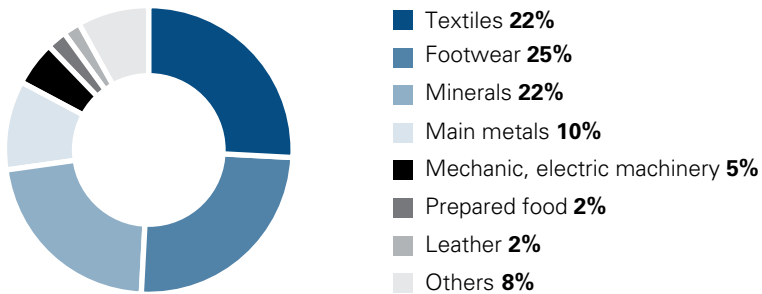
Graph 5. Structure of exports to Greece, 2011



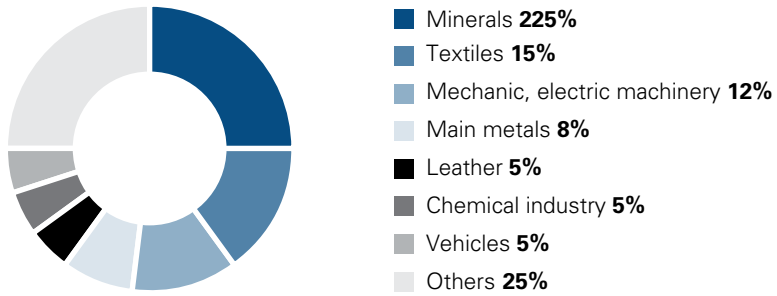
Graph 6. Structure of imports from Greece, 2011



Graph 7. Structure of exports to Italy, 2011



Graph 8. Structure of imports from Italy, 2011



Source: ACIT-Albanian Centre for International Trade-Annual Report 2011

CHAPTER 3

BUSSINES SECTOR  
OPPORTUNITIES FOR  
INVESTMENT

## Opportunities and Incentives for Foreign Investors

According to the Bank of Albania Annual Report 2011, foreign direct investments inflows in 2011 yielded US \$ 992 Mln. Foreign direct investments in 2011 were oriented mainly to hydropower sector and hydrocarbon sector.

Notwithstanding the difficulties and challenges, 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 chromium, 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, confections, 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 in the future, but currently Albania lacks the proper infrastructure to promote investments in this sector.

Investors in Albania enjoy full legal protection in regards to their investments. Private investment cannot be nationalized, expropriated, or subject to any similar measure, except in special cases provided by laws which protect the public interest. Parties to a dispute may agree to submit claims for consideration by an arbitration institution. Foreign investors have the right also to submit disputes to an Albanian court.

Upon the government initiative, the existing Law on Foreign Investments (law no. 7764, dated 02.11.1993 amended by law no. 10316, dated 16.09.2010) was amended in order to enhance the protection level for

foreign investors. The amendment introduces the concept of 'special state protection' for investments/projects that exceed 10 million Euro. Such protection is granted after a dispute arises between the foreign investor and a private party claiming title over the land where the project is or will be built/developed. Under the said protection, the state replaces the foreign investor in the court dispute and undertakes to compensate the claimant in case the court will rule 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 with Austria, Belgium, Bulgaria, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Macedonia, Germany, Greece, Hungary, Israel, Italy, Luxembourg, Malaysia, the Netherlands, Poland, Portugal, Romania, Slovenia, Sweden, Switzerland, Tunisia, Turkey, United Kingdom and United States;

Double taxation treaties in force with the following countries: Austria, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Egypt, France, Greece, Hungary, Italy, Kosovo, Latvia, Macedonia, Malaysia, Malta, Moldova, Montenegro, Netherlands, Norway, Poland, Romania, Russia, Serbia, Slovenia, South Korea, Spain, Sweden, Switzerland, Turkey.

**INFORMING SPACE<sup>6</sup>:** The data presented within this section are extracted from the "World Investment Report, 2012" (UNCTAD), which regularly publishes annually the FDI Attraction and Potential Indices of each country worldwide, since 2002. These indices have largely stayed the same over these 10 years. This year's report proposes a number of changes in the Indices and adds a new index to measure the extent to which FDI contributes to economic development in host countries. Comparing the FDI Attraction Index with another UNCTAD index, the FDI Potential Index, shows that a number of developing and transition economies have managed to attract more FDI than expected, including within even Albania. Albania is evaluated in the report between countries which are in a "catch-up phase" for FDI, having embarked on a course to improve their investment climates. FDI

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6 *World Investment Report, 2012*

Attraction Index vs FDI Potential Index Matrix, 2011, ranks Albania among countries positioned in “High” levels.

Table 17: FDI flows, by region and economy, 2006-2011 (concluded)

(Millions of dollars)

	<b>FDI inflows</b>						<b>FDI outflows</b>					
<b>Region/ economy</b>	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
<b>Albania</b>	324	659	974	996	1051	1031	10	24	81	36	6	42

Relevant data showing Albania’s future trend and potential on investments<sup>7</sup>:

Table 18: Value of cross-border M&As, by region/economy of seller/purchaser, 2005–2011 (continued)

(Millions of dollars)

	<b>Net sales</b>							<b>Net purchases</b>						
<b>Region/ economy</b>	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
<b>Albania</b>	7	41	164	3	146	-	-	-	-	-	-	-	-	-

Table 19: Value of Greenfield FDI projects, by source/destination, 2005–2011 (concluded)

(Millions of dollars)

	<b>World as destination</b>							<b>World as source</b>						
<b>Partner region/ economy</b>	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
	<b>By source</b>							<b>By destination</b>						
<b>Albania</b>	-	-	-	-	-	105	-	668	2346	4454	3505	124	68	488

7 World Investment Report, 2012

Table 20: Number of Greenfield FDI projects, by source/destination, 2005–2011 (continued).

(Millions of dollars)

<b>World as destination</b>					<b>World as source</b>									
<b>Partner region/economy</b>	2005	2006	2007	2008	2009	2010	2011	2005	2006	2007	2008	2009	2010	2011
	<b>By source</b>							<b>By destination</b>						
<b>Albania</b>	-	-	-	-	-	1	-	13	11	8	16	7	6	7

## Privatization

The privatization process is a key element for Albania’s progress towards a developed market economy. According to the government, the privatization process aims to:

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

The main privatization opportunities in Albania for the near future are:

### In Telecommunication:

- Privatization of the remaining state-owned shares of Albtelecom (16.75 %).

### In Water Supply and Transportation:

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

### In Insurance:

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

### In Hydropower Plants:

*Introduction:* Albania ranks as the most dynamic renewable energy country in Europe. The government of Albania has fully liberalized investments and trade in the sector and has completed a favorable modern legal and regulatory framework. As result of such policies, in the past 5 years more than one hundred concessions have been given out for building more than 300 new hydropower plants (HPP), and several concessions for exploring wind and solar energy generation. Tens of new HPPs have already been completed and many are under the way, while a number of large wind power investment projects are in the planning and pre-investment phase.

Water resources are amongst Albania's most important natural resources. Private Public Partnership (PPP) concept was introduced by the Albanian government within the Concession Law that guarantees more transparency and competitiveness. The PPP concept is mostly implemented through the granting of concessions in the hydropower plant production and operation sector.

The approval of a sale or a concession contract is the last step in the privatization process and is granted by the Council of Ministers (exception made for the concession contract providing for investment value less than EUR 20 million, which are effective upon signature from the contracting authority). The concession contract may also be subject to ratification of the Parliament depending on the content of the contract (e.g. duration exceeding 35 years, tax exemptions).

**INFORMING SPACE<sup>8</sup>: Potential sector projects in Albania:** According to National Strategy for Integration and Development, the Government of Albania will continue to “focus on the following main priorities: financing transport, municipal-urban development, energy (HPP and renewable sources of energy) and environmental projects.”

**Key market trends:** Over the last few years, Albania has experienced a dynamic sectoral development accompanied by redistribution of production factors and revenues. Two major components of GDI have been services and agriculture sectors, while the construction sector played an important role in the annual growth rate. To date, Albanian economy counts an unexploited potential both in terms of renewable energy, tourism, agribusiness, infrastructure and services. Natural resources include hydro, solar and wind power capacity, agricultural land and over 400 km of coastline. The country is rich in oil and gas and valuable mineral deposits such as copper, iron and chrome ores.

**Current developments:** So far, the country has exploited only 30 %-35 % of its hydropower potential. The existing total installed capacity is about 1,446 MW - distributed in 11 large and medium sized HPP-s and 83 small ones, producing more than 98 % of country's total electricity production. Numerous mid-sized and small HPPs are under construction with an additional total capacity of around 400 MW; many others are in the preparation phase of their works. There are also opportunities for investors to acquire existing concessions to build HPPs or to enter in partnership with the concessionaires. Untapped identified hydro resources could power more than 120 new small HPPS (mostly run-of-the river plants). Only three main rivers (Drini i Zi, Vjosa) have the potential to power about 5 large and about 15 midsize HPPs and tens of small new HPPs. End of December 2012, marked the completion of privatization process of 4 more HPPs respectively Ulez-Shkopet, Bistrica 1 and Bistrica 2.

#### *Renewable energy potential*

##### *Solar:*

Due to its climate, the high intensity of solar radiation and its relatively long duration, Albania has favorable conditions for development of solar energy. Solar energy is being increasingly used for heating purposes, while photovoltaic energy is still unexplored.

##### *Wind:*

Wind energy Albania has untapped wind power potential, in particular along the Adriatic coast. A number of areas with high wind energy potential, - average annual wind speed of 6-8 m/s and energy density of 250-600 W/m<sup>2</sup>, - are already identified. At least, 20 potential eolic electricity centrals can be constructed in these areas. Albania does not have any wind power production facility yet. Several domestic and foreign investors have already been licensed to explore wind power production opportunities, while a major investment for a 150 MW wind farm is in the planning phase. The Government's target for the year 2020 is to generate 5 % of total electricity from wind sources.

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<sup>8</sup> Albanian Investment development Agency (AIDA), [www.aida.gov.al](http://www.aida.gov.al); [www.km.gov.al](http://www.km.gov.al); (National Strategy for Development and Integration 2007-2013.)

## Sovereign Rating

Standard & Poor's (S&P) assigned Albania B+ long-term foreign and local currency sovereign credit ratings. S&P also assigned B short-term foreign and local currency ratings to the country. The outlook reflected the country's relatively low prosperity, high government debt and uncertain political environment. Ratings peer Moody's Investors Service Inc. rates Albania at B1, four notches into junk territory, with a stable outlook.

CHAPTER 4

BUSINESS LAW

The current Commercial Law governing business organizations in Albania (i.e. Law no. 9901 "On Entrepreneurs and Commercial Companies") entered into force on 21.05.2008. 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 aiming to approximate the Albanian legislation with the legislation of other European countries and the *acquis communautaire*.

## Types of Business Entities

The foreign investor has numerous options available for organizing business operations in Albania. This may be achieved either by establishing a locally incorporated company or a branch. The registration of new entities in Albania, starting from 01.09.2007, is done with the National Registration Center ("NRC") established upon Law no. 9723, dated 03.05.2007 "On National Registration Center", which aims to put in place "the one stop shop" rule.

According to the Commercial Law and Law no. 9723, dated 03.05.2007 "On National Registration Center", and Albanian Civil Code the business entities to be registered with NRC are the following:

- 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 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 identification data, address, and type of business and a specimen of the sole proprietor's signature.

### *Unlimited Partnership*

All partners are unlimitedly and jointly liable for the debts of the partnership. 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 towards 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 general partners (unlimited) 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 is given a proxy, otherwise he incurs unlimited liability. The limited partnership is not dissolved due to death or dissolution of one or more limited partners.

### *Limited Liability Company (SHPK.)*

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

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

The contributions to the capital can be in cash or in any asset, tangible or intangible.

Administrators are nominated by the General Assembly of the shareholders for a period of no more than 5 years, renewable. Nomination of administrators is effective after registration with the NRC. Ordinary decisions may be validly taken by the General Assembly of the shareholders provided that a quorum of more than 30 % of shares is present in the meeting.

Extraordinary decisions, such as change of the bylaws, increase or decrease of the share capital, mergers and acquisitions, 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 the votes are personally present in the meeting.

Decision of the General Assembly of the shareholders is recorded in the minutes of the meeting, which are kept by the administrators 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 companies with no public offering, and ALL 10 million for companies with public offering.

The capital is fully subscribed when the shareholders have promised to bring assets to the company in cash or in kind for an amount equaling the capital. In the moment of the subscription, at least one quarter of the nominal value of the shares representing contributions in cash must be paid in. Payment of the remaining value shall be made in installments upon the decision of the management bodies of the company. Shares of in kind contributions must be fully paid in at the moment of subscribing. The Commercial Law does not permit contributions in services.

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

The joints 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 the “one-tier” system (with a board of directors/administrators conducting both management and supervising functions) or the “two-tier” system (with board of directors/administrators and supervisory board conducting supervising 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 the joint ventures under the term of "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 perform 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 National Registration Center**

For registration of 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 upon power of attorney;
- Articles of Incorporation and/or Bylaws signed in the presence of a notary public;

- Act of nomination of the administrator of the company.

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

For registration with NRC of a branch or representative office 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 upon power of attorney issued by either of the abovementioned persons;
- Articles of incorporation and bylaws of parent company and all amendments;
- Recent extract of the Chamber of Commerce of the country where the parent company is located, issued of no more than 90 days from the date of application, which reflects:
  - registration of the parent company in the Commercial Register of the country of origin;
  - the fact that the company is not subject to dissolution or bankruptcy;
  - the composition of the managing bodies of the company.
- Resolution of parent company's board of directors or of any other body of the company authorized under the bylaws, for the establishment of the branch or representative office in Albania and appointment of the legal representative (Manager) of the branch or representative office in Albania;
- Financial statements of 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 the principles for (i) determining the activities that will be subject to license, authorization and permit, (ii) requirements and procedures, (iv) terms of validity of license, authorization and permit and (v) procedures on revocation.

Under the Licensing Law, any license/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 upon Decision of Council of Minister no. 1697 dated 24.12.2008 and operational since 09.06.2009.

As a general rule, licenses and permits shall become effective only upon publication in the Register, unless the deed approving such license or permit shall enter into force upon publication in the Official Gazette.

The Register is electronic and serves to publish information on licenses, permits and authorizations granted for conducting a specific activity. It also serves as an official electronic archive, assuring the transparency in the licensing process.

The Licensing Law empowers the National Licensing Center as the authorized body to examine and approve applications for licenses and permits as provided in the Licensing Law and Licensing Decision.

Depending to their nature and requirements to which they are subject, not all licenses and permits are subject to the examination by the National Licensing Center. As a general rule, applications for obtaining an authorization are examined directly by the competent public authorities without intervention of the National Licensing Center. Nevertheless in specific cases, the National Licensing Center may be entitled to 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, in case the National Licensing Center fails to publish the approval or refusal of the license, permit, authorization within the specific deadline, the application is considered as approved. The same is applicable in the event the results of the examination of applications for licenses or permits under Group III are not published by the examining authorities within the legal term.

Nevertheless, there are cases depending on the nature of activity subject to licensing/ permitting where the “tacit approval” is not applicable. In this case, reference is made to the applicable law governing the activity subject to licensing procedures.

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

The license or permit issued to the applicant contains some specific information such as the holder identification data, place where the activity is performed, or type of activity. Any changes occurred 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 of licensing or permitting of the specific activity, the holder of the license/permit should notify both the National Licensing Center and the relevant authority involved with the issuing of the license or permit.

In the event the change affects the said criteria, the holder of the license/ permit has to suspend its activity at its own initiative until completion of the examination of the said change by the relevant authorities.

## Accounting Regulations

All economic for-profit units in the Republic of Albania, including financial institutions, regardless of their legal form or specific legal requirements that can be applied to them, are subject to Law 9228, dated 29.04.2004 “On Accounting and Financial Statements”.

Also, not-for profit organizations are subject to this law, except for the cases when their financial statements are governed by specific laws and regulations.

Law no. 9228, for the first time, introduces accounting standards. This law sets up the concept of national and international accounting standards, which will serve as the basis for selecting treatments or accounting methods, applicable when preparing or presenting financial statements. Based on Law 9228, the National Accounting Committee has approved 14 (fourteen) National Accounting Standards. Such Standards are effective from 1 January 2008.

The set of 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

The accounting period consists of twelve 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 the respective currencies. However, once a month and at the end of the fiscal year, foreign currency must be converted into ALL. 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, with the exception of 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 the valuation of the assets and liabilities at least once a year through the inventory process and with the supporting documentation.

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

- Assumption of the going concern basis;
- Consistency between accounting periods;
- Use of accrual accounting and matching concepts;
- Comparative information should be disclosed in respect to 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 with the exception of cases specified by NAS;
- All transactions and accounts should be valued and presented fairly, prudently and transparently.

International Accounting Standards/International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board, translated into Albanian under the responsibility of the National Accounting Committee without changes from the original English version, announced by the Minister of Finance is mandatory from 1 January 2008 for the following entities:

- Companies listed in 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 perform investment activity in securities, even if they are not stock listed companies;
- Other big unlisted economic units, when in the two last years their annual revenues have exceeded ALL 1, 25 billion and the number of employees has been more than 100 (as defined by Decision of Council of Ministers).

Entities that do not fall under the above categories will apply the National Accounting Standard approved with Order no. 4292, dated 15.06.2006 by the Minister of Finance.

According to Law no. 10110, dated 02.04.2009 “On Some Changes in Law on Accounting and Financial Statements”, the micro-enterprises as defined in Law no. 8957, dated 17.10.2002 “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 29.04.2004 “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 the other;
- explanatory material.

The standard reporting forms, as provided by the NAS, are presented in Appendix F. Simultaneously with the financial statements, the companies should file with the tax authorities, before or on 31 March of the subsequent year, the annual profit tax return. The standard form of the annual profit tax return is shown in Appendix E.

## Audit Requirements

Pursuant to Law no.10091, dated 05.03.2009 “On the Statutory Audit and the Organization of the Registered Chartered Auditor and Approved Accountant” the audit of the annual financial statements by chartered individual auditors or auditing companies is mandatory for:

- companies that apply IFRS, irrespective 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:
  - the total assets are equal to or greater than ALL 40 million;
  - the annual turnover is equal to or exceeds ALL 30 million;
  - the average annual number of employees is 30.

The auditor is appointed on an annual basis upon a decision of the general meeting of shareholders of both limited liability companies and joint stock companies.

The companies that apply the IFRS and joint stock companies indicated above are obliged to appoint at least two auditors (in case of individuals) or only one auditor firm.

CHAPTER 5

# TAXATION OF BUSINESSES

## General

The tax system includes personal income tax, profit tax, tax on real estate, value added tax (VAT) and excise tax. The tax period is the calendar year, except for VAT where the tax period is the calendar month.

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

Aiming to encourage investments in Albania, the Albanian government has since 2006 implemented a policy of reduced tax rates. Starting from 2008, the government has introduced a flat tax rate for all income, either personal or business, except for those deriving from 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 of enforcement of tax payment, documentation of transaction for fiscal purposes etc.

## Residency

Legal entities that are registered with the National Registration Center or whose place of effective management is in Albania are considered as Albanian tax resident and liable to Albanian profit tax.

## Corporate Income Tax

Corporations conducting business in Albania are subject to a corporate income tax (profit tax) at a rate of 10 %.

The determination of the taxable base starts with the profit shown in the profit and loss account. The profit calculation should be made according to the accounting legislation in force and the relevant instructions issued by the Ministry of Finance. In calculating the taxable

base the following expenses are considered:

- Expenses incurred for generating the operational profit;
- Insurance premiums;
- Depreciation allowances;
- Interests (excluding certain situations as established by law);

Bad debts when the following conditions are simultaneously met:

- a. The corresponding amount has been included earlier as income;
- b. The bad debt is cancelled in the accounting books of the taxpayer;
- c. All possible legal action to enforce payment has been undertaken.
  - Expenses incurred by the employers for voluntary life and health insurance of their employees.

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

The following are examples of items that are not deductible:

- the cost of acquisition 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 for loans exceeding on average four times the amount of net assets value during the taxable period;
- damage and waste related to production, transportation and storage in excess of the rates determined by law;
- dividends;
- the profit tax itself;
- penalties and fines;
- expenses related to technical, consultancy and management services invoiced by non-tax registered persons in case the relevant withholding tax has not been paid within the tax period (calendar year) by the beneficiary of the services;

- personal consumption expenses;
- representation and reception expenses when 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 compensations deriving from employment relationship, in case the payment is not performed through banking system;
- expenses resulting from transactions performed in cash for amounts exceeding ALL 300,000 for each purchase;
- voluntary pension contributions paid by the employers for their employees over the limit provided in the Law “On Voluntary Pension Funds” (such limit is ALL 250,000 per year per each employee).

### *Depreciation*

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

There are two methods of depreciation: the straight-line method and the pooling system. The straight-line method is applied only for intangible assets at a rate of 15 %. The declining balance method is applied for the following major groups of tangible assets:

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

For all the above categories, the first day of the month that follows the month of purchase is considered the start date for calculation of depreciation.

Depreciation allowances are not granted on land, works of art, antiquaries, jewelry, precious metals and stones.

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

#### *Reserves and Provisions*

Reserves are not allowable deductions for tax purposes, although banks and insurance companies are allowed to deduct reserves and provisions provided that they are created in pursuance with the International Accounting Standards, the external auditors have issued an unqualified opinion on them and such provisions do not exceed the minimum requirements on bad debt provisions established by BoA.

#### *Losses*

Losses may be carried forward for three years. However, this does not apply when there are changes of more than 50 % in ownership titles.

#### *Inter-Company Dividends*

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

#### *Transfer Price*

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

#### *Foreign Tax Credit*

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

## Withholding Taxes

### *Dividends and profit sharing*

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

### *Interest*

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

### *Other Payments*

There is a 10 % withholding tax for payments such as artistic performances, royalties, leases, management and participation in managing bodies, technical, managing, financial and insurance services, construction, installation, or site supervision services paid to non tax-registered residents and to nonresidents.

### *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 of the above mentioned types of income in the attempt to avoid double taxation. In addition, for some types of income like dividend and interest, the agreements specify the maximum rate applicable in both contracting states.

Tax Treaties in force:

1. Treaty with Poland, in effect as of January 1, 1995
2. Treaty with Rumania, in effect as of January 1, 1995
3. Treaty with Malaysia, in effect as of January 1, 1995
4. Treaty with Hungary, in effect as of January 1, 1996
5. Treaty with Turkey, in effect as of January 1, 1997

6. Treaty with the Czech Republic, in effect as of January 1, 1997
7. Treaty with the Russian Federation, in effect as of January 1, 1998
8. Treaty with Macedonia (FYROM), in effect as of 1 January 1, 1999
9. Treaty with Croatia, in effect as of January 1, 1999
10. Treaty with Italy, in effect as of January 1, 2000
11. Treaty with Bulgaria, in effect as of January 1, 2000
12. Treaty with Sweden, in effect as of January 1, 2000
13. Treaty with Norway, in effect as of January 1, 2000
14. Treaty with Greece, in effect as of January 1, 2001
15. Treaty with Malta, in effect as of January 1, 2001
16. Treaty with Switzerland, in effect as of January 1, 2001
17. Treaty with Moldova, in effect as of January 1, 2004
18. Treaty with Belgium, in effect as of January 1, 2005
19. Treaty with China, in effect as of January 1, 2006
20. Treaty with France, in effect as of January 1, 2006
21. Treaty with the Netherlands, in effect as of January 1, 2006
22. Treaty with Egypt, in effect as of January 1, 2006
23. Treaty with UNMIK-Kosovo, in effect as of January 1, 2006
24. Treaty with Serbia in effect as of January 1, 2006
25. Treaty with Montenegro in effect as of January 1, 2006
26. Treaty with Slovenia, in effect as of January 1, 2010
27. Treaty with Austria, in effect as of January 1, 2009
28. Treaty with Latvia, in effect as of January 1, 2009
29. Treaty with South Korea, in effect as of January 1, 2009

30. Treaty with Bosnia and Herzegovina, in effect as of January 1, 2009
31. Treaty with Spain, in effect as of May 4, 2011
32. Treaty with Ireland, in effect as of January 1, 2012
33. Treaty with Germany, in effect as of January 1, 2012
34. Treaty with Singapore, in effect as of January 1, 2012

## Indirect Taxes

### *Value Added Tax*

VAT taxable persons are all individuals and legal entities making taxable supplies and having an annual turnover in excess of ALL 5 million. Their registration for VAT purposes is obligatory. Individuals and legal entities that operate in the import/export sector as well as the importation of goods to Albania by any person. Lawyers, notaries, doctors, architects, auditors, accountants, etc., and taxpayers conducting hotel business activities, should be registered for VAT irrespective of their annual turnover.

Taxable transactions include the supply of goods and services in Albania by a taxable person, and the importation of goods to Albania by any person. Also, the following transactions are taxable:

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

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

The following supplies are not subject to VAT:

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

- Lease of buildings when the lease duration exceeds 2 months (except accommodation in hotels and vacancy residences), unless the lessor opts for the lease to be subject to VAT;
- Financial services;
- Certain services rendered by not-for-profit organizations;
- Educational services rendered by private and public educational institutions;
- Postal services;
- Certain supplies in connection with oil exploration;
- Supply of newspapers, magazines and books of any kind;
- Newspaper printing services, as well as the supply of advertising in electronic and written media;
- Supply of services relating to gambling activities, casinos and hippodromes;
- Supply of services performed outside Albania by a taxable person whose place of activity or residence is in Albania;
- Donation of goods made in case of natural or social calamities;
- Import and local supply of goods made of iron or steel classified in chapters 7213 and 7214 and of cement classified under codes 2523 29 00; 2523 30 00 and 2523 90 00 of the Combined Nomenclature of Goods used as raw materials for the construction of hydropower plants;
- Import of machineries and equipments used for the implementation of investment contracts with a value equal or higher than Leke 50 million;
- Import of machineries and equipments used in the inward processing industry and agribusiness regardless of the investment value;
- Import of machineries by persons subject to local tax on small businesses, for the purpose of performing their production activity.

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

Exceptionally, medicines and medical services are subject to a reduced rate of VAT at 10 %.

#### *Application of VAT Deferred Scheme*

The VAT deferred scheme for machineries and equipment, with the exception of those used for the implementation of investment contract with a value equal or higher than Leke 50 million, and those used in the inward processing industry and agribusiness, regardless of investment value, imported by the taxpayer for purposes of any business activity is applicable up to 12 months from the moment of importation. The VAT may be deferred for a term beyond the 12 months period upon decision of the Minister of Finance when certain requirements are met. No guarantee is required for the application of the deferred scheme.

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

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

## Local Taxes

### *Tax on Real Estate*

All Albanian and/or foreign individuals and legal entities that own real estate property are subject to tax on real estate. Such tax consists of the tax on building and the tax on agricultural land.

### *Tax on Buildings*

This tax is paid for each square meter of the building including the underground floors proportionally with the period of ownership during the year.

The 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 established, as follows:

- Buildings used for commercial purposes ALL 200;
- Buildings used for habitation ALL 15 and ALL 30 (depending on the year of the building's construction);
- Other buildings ALL 50.

Tax on buildings in other districts is lower. Tax on buildings applies also to the buildings (either owned or used) located within the territories approved as tourist villages. The tax rate is ALL 200 per sq. m.

#### *Tax on Agricultural Land*

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

#### *Tax on Transfer of Ownership Right on Real Estate*

The tax is applicable in case of transfer of ownership title on buildings and other real estate properties. It is payable by the person that transfers the ownership title. Individuals are not subject to this tax, since they are subject to payment of the tax on personal income deriving from the transfer of ownership title (see Chapter 6).

The tax for buildings located in Tirana, which are used for business purposes amounts to ALL 2,000/sq.m; when the buildings located in Tirana are used for dwelling purposes, the tax amounts to ALL 1,000/sq.m. The tax is lower in other districts. Tax on transfer of ownership title on 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 transfer of ownership title, but are held liable to pay the fee for which the tax agent is entitled to (3 % of the taxable amount).

#### *Hotel Residency Tax*

The hotel residency tax is payable by all persons residing in a hotel, both Albanian and foreigners 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 residency taxes to the respective municipality by the 5th of the month for the previous month.

#### *Tax on New Constructions*

This tax is levied on the value of a new investment at a rate from 2 % to 4 % in Tirana and from 1 % to 3 % in other municipalities. The local municipality determines the actual rate. Exceptionally, for infrastructure projects such as construction of national roads, ports, airports, tunnels, dams, construction of infrastructure in energy, the tax is 0.1 % of the investment value (which includes the value of equipment and machineries for such project), but not less than the cost of rehabilitation of the damaged infrastructure.

#### *Taxes on Small Business*

Individuals who carry on small businesses or independent services with an annual turnover not more than ALL 2 million are subject to the local tax on small business.

Such tax is paid quarterly, within 20 April, 20 July, 20 October and 20 January of the subsequent fiscal year.

Small business entities with an annual turnover between ALL 2 million and ALL 8 million apart from the local tax on small business are subject to personal income tax, at the rate of 10 %. The taxable base is the difference between the annual revenues and the annual deductible expenses. The local tax on small business paid on a quarterly basis reduces the amount of the personal income tax due.

The taxable persons subject to personal income tax are required to prepare the annual tax return and pay the personal income tax within 31st of March of the year following the closure of the fiscal year.

#### *Excise Tax*

Excise tax is applied to a limited number of goods such as tobacco, alcoholic drinks, soft and fresh drinks, derivatives of petroleum and coffee.

Tax is levied either as a percentage rate or per unit stamp duty, depending on the commodity. The following rates are applicable (Table 14).

Table 14

<b>Cigars and cigarillos containing tobacco</b>	ALL 2,500 per kg
<b>Cigarettes</b>	ALL 3,500 per 1000 cigarettes
<b>Beer</b>	ALL 1,000 up to ALL 3,600 per hectoliter
<b>Wine</b>	ALL 3,000 up to ALL 12,000 per hectoliter
<b>Light and heavy oils (gas oil)</b>	ALL 37 per litre
<b>Coffee roasted</b>	ALL 60 per kg
<b>Pneumatics</b>	ALL 20 to 100 per kg

### *Customs Duties*

Customs duties are charged according to imported goods' classification in a 6-digit Harmonized System. For many imported items minimum custom values are applied.

Major exemptions are applicable for:

- 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 assistance purposes by not-for-profit organizations, religious institutions, public entities;
- Goods imported for trade promotion purposes and advertising.

According to Annex I of the Stabilization and Association Agreement between the European Union and the Republic of Albania, customs tariffs applicable on industrial products originating from EU members are eliminated starting as of 1<sup>st</sup> January 2011.

The customs duties for processed agricultural products originating from EU members were eliminated starting as of 1st January 2010.

### *Other National and Local Taxes*

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

CHAPTER 6

# TAXATION OF INDIVIDUALS

## General

Under Albanian law, all individuals are liable to income tax. While residents pay tax on their worldwide income, non-residents pay tax only on income generated within the territory of Albania. Residents are considered to be persons who stay in Albania, in aggregate for a period or periods exceeding 183 days in a tax year.

## Residency

Individuals having their habitual residence in Albania or staying in Albania in aggregate for a period or periods exceeding 183 days in a tax year are considered Albanian tax residents.

## Taxable Income

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

- Wages, salaries and other compensation derived from relations (these incomes include basic pay, overtime pay, bonuses and any other payment for the performance of employment);
- Dividends and profit sharing of partnerships;
- Capital gain 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 except interest received on treasury bonds and other securities issued by the government before 21 January 1999;
- Income from copyrights and royalties;
- Income from loans and leasing, excluding cases when this income is generated through commercial activity (in the latter case, the income is declared in the tax return from the recipient itself);
- Income from transfer of ownership on 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 of shareholders to pay for newly issued shares of the company's share capital, if no official documents proving the origin of the contributions are provided;
- 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 for voluntary life and health insurances of their employees;
- Scholarships;
- Compensation received with regard to expropriation;
- Income of individuals who enjoy diplomatic status;
- Benefits in kind received from employees;
- Damage relief and court expenses reimbursement 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 will be taxed as follows in Table 21:

Table 21

<b>Threshold (monthly compensation)</b>	<b>Income tax</b>
0 to 30,000	0 %
30,001 and over	10 % of the amount over 0

- The rate of tax on personal income of individuals deriving from transfer of ownership title over real estate and shares is 10 % of the taxable base (i.e. sale price minus purchase price);
- On other incomes, which are subject to tax, a flat rate of 10 % is applied.

## Personal Income Tax Declaration

All resident and non-resident persons whose gross annual income reaches or exceeds ALL 2 million must complete and submit an annual income tax declaration. In addition also the said declaration must be filed with the Regional Tax Directorate, under which jurisdiction resides the individual, within 30 April of the year following the tax period (for which the declaration is made).

If any personal income tax is due (calculated on the difference between the final tax and the tax prepaid/withheld during the tax period) it is payable within the same date. If it results that the individual has paid the personal income tax during the tax period in excess, the difference is either reimbursed to the taxpayer or used as prepayment of the following payable personal income tax.

Exceptionally, persons having a gross annual income not exceeding Leke 1,050,000 may opt to submit the annual income tax declaration, if they would like to benefit from the 'deductible expenses scheme'. Under the scheme, the following expenses are recognized as deductible:

- a. voluntary contributions in the voluntary pension fund and voluntary contributions of the taxpayer paid by himself/herself for life and health insurance up to the limit being (i) the lower amount between Leke 200,000 and 15 % of the gross annual income resulting from the voluntary pension funds (for persons up to 50 years old) and (ii) the lower amount between Leke 250,000 and 25 % of the gross annual income resulting from the voluntary pension funds (for persons more than 50 years old);
- b. bank interest for loans stipulated for its own school education or of the children or persons in custody;

- c. medical expenses for itself or children and persons in custody, for the part not covered by the mandatory health insurance, in pursuance with the rules set forth upon decision of Council of Ministers.

## Social Insurance Contributions

The Albanian social insurance system is administered by the Public Institute of Social Insurance, which is under the jurisdiction of the Council of Ministers. Employer contributions include contributions to the work accidents indemnities and unemployment fund. Employees are also liable to a percentage for both health and social security contributions. Only a portion of the gross monthly salary, between a floor of ALL 18,295 (or other amount depending on the qualification of the employees in the private sector and category of economic activity of the employer) and a ceiling of ALL 91,475 per month, is subject to contribution at the following rates:

Table 22

	<b>Social Security</b>	<b>Health Insurance</b>
<b>Paid by employer</b>	15 %	1.7 %
<b>Paid by employee</b>	9.5 %	1.7 %



CHAPTER 7  
LABOUR LAW

## General Issues

Employment relations in the Republic of Albania are mainly governed by the Law no. 7961, dated 12.07.1995 "On Labour Code in the Republic of Albania" as amended (hereinafter referred to as "Albanian Labour Code"), Law no. 7703, dated 11.05.1993 "On Social Insurance in the Republic of Albania" as amended (hereinafter referred to as "Law on Social Insurance") and other normative acts issued by the Albanian government in order to regulate different features of the employment area based on the rapid social and economical changes that occur.

### *Working Hours*

As per the Albanian Labour Code, the normal daily working hours may not exceed 8 hours, meanwhile the normal 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 in no case this may exceed 50 working hours per week; hence, the maximum of overtime work may not exceed 10 hours per week.

The Albanian Labour Code contains prohibitions with regard to work performed at night, by persons that are under the age of 18 and for women during the period of pregnancy.

### *Compensation for Overtime Work and during public holidays and weekends*

Overtime work is compensated in salary or in time-off. The compensation in salary is 25 % more than the salary applicable for the working hours during normal working days, meanwhile the time – off is 25 % longer than the overtime performed and should be given within 2 months from the date the overtime takes place.

For overtime work performed during public holidays or on weekends the compensation shall be 50 % more than the salary applicable for the working hours performed during normal working hours, and if in time-off the later latest should be 50 % longer than the work performed.

### *Retire Age*

Pursuant to the Law on Social Insurance the retiring age is achieved at the age of 65 for men and 60 for women.

### *Minimum Salary*

According to Decision of Council of Ministers no. 445, dated 11.07.2012 "On determination of minimum wage in Albania" a new level of the basic minimum monthly salary is applicable from 15.07.2012. As per the above Decision, the basic minimum monthly salary is ALL 21,000. The basic minimum monthly salary is paid for 174 hours/month realized during normal working hours.

## **Working Conditions**

### *Obligations of the Employer*

The employer has the obligation toward employees to ensure observation of their fundamental rights. The employer should protect the employees' personality; ensure that the working premises are clean and safe for the employee's health; not exercise control over the personal goods of the employee; keep the employees register; make available to employees a copy of the Labour Code; be provided with the administrative authorization; keep all documentation regarding accidents in the course of work; ensure safety of the work premises in order to guarantee air ventilation; undertake proper measures to avoid loud sounds and vibrations in the place of work; maintain the work equipment and the machinery; guarantee to the employee all the necessary equipments for performing their duties; make available to the employee food and water during the working hours; retain on the work premises first aid equipment.

### *Obligations of the Employee*

The Albanian Labour Code provides for the employee various obligations such as: faithfulness toward the employer; obligation of performing his work carefully and personally; returning back to the employer any equipment provided during the employment relationship; indemnify the employer for losses incurred as a result of the employee's negligence or fraudulent behavior.

At the termination of the employment relationship the parties may enter into a no compete agreement which may not exceed the term of one year. In such case, the employer should pay to the employee compensation of at least 75 % of the salary he would earn in case the employment relationship would have not been terminated.

### *Anti – discrimination*

Pursuant to the Albanian Labour Code, any act constituting discrimination of the employee based on ethnic, race, religion, age or political conviction is prohibited. However, precaution measures or requirements provided for a given function adopted by the employer and provided under the Albanian Labour Code or under other normative acts may not constitute discriminatory acts.

## Employment Contracts

Employment contracts may be stipulated or modified verbally or in writing between the employer and the employee. In case the stipulation of the employment contract is done verbally, within the term of 30 days, the employer should draw up in writing the relevant text document.

Non fulfillment of such obligation does not affect validity of the contract, but only causes liability of the employer to a penalty issued by the Labour Inspectorate.

As a general rule, according to the Albanian Labour Code, employment contracts are stipulated for an unlimited duration. However, an employment contract may be done for limited duration depending on the temporary nature of the work to be performed by the employee during a determined period of time.

According to the Albanian Labour Code, an employment contract must include at least the following:

- a. identity of the parties;
- b. place of work;
- c. general job description;
- d. commencement date;
- e. duration, in case of limited duration contract;
- f. duration of paid leave;
- g. notification period for employment termination purposes;
- h. salary details and its payment date;
- i. normal weekly working hours;
- j. the collective contract in force.

### *Termination of Employment Contracts*

In case the employee and the employer have entered into an employment contract for a determined duration, such contract shall terminate at the end of its term, without preliminary notification. When, after the expiration of the defined term, a contract is extended tacitly, it is considered as a contract with unlimited duration. Hence, its termination shall be subject to the procedures set forth by the Albanian Labour Code with regard to the termination procedures of the employment contract having undetermined duration.

Should the parties have entered into one or more contracts with determined duration for an employment which lasts at least three years, the non renewal of the contract by the employer is considered as termination of the contract with undetermined duration.

Pursuant to the Albanian Labour Code the first three month of employment will be considered as a probation period. During the probation period each party may terminate the employment upon a notification delivered to the other party at least 5 days in advance.

In addition, termination of employment after the probation period is subject to specific procedures and requirements determined by the Albanian Labour Code.

In this context, before termination of any employment contract the employer should deliver a prior notification to the employee indicating its intention to terminate the employment contract and the reasons for such termination. After/Not before/Not prior to 72 hours from the delivery of the notice a meeting must take place in order to discuss the intention of terminating the employment contract. The employee must be notified of the decision to terminate the employment contract no earlier than 48 hours after the meeting and not later than one week from such meeting.

Should the employer fail to comply with such procedure of termination, he is liable to pay to the employee a penalty equal to two months of salary.

After the final notification is delivered to the employee by the employer, the employment contract with undetermined duration shall be considered terminated with the elapsing of the notification period determined in detail here below.

Pursuant to the Albanian Labour Code, each party should notify the termination of the employment contract with undetermined duration to the other party at least:

- One month during the first year of employment;
- Two months for two up to five years of employment;
- Three months for more than 5 years of employment.

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

In case the termination of the employment contract is due to unjustified reasons such as race, colour, sex, age, civil status, pregnancy, religious belief, etc., or for claims related to the employment relationship, or for the employee's membership of an employees' union the employer may be liable to pay to the employee up to one year salary.

Further, pursuant to the Albanian Labour Code the employee is entitled to a seniority bonus in case "...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 in case the employment contract is terminated with immediate effect for reasonable causes. The seniority bonus is not less than the employee's salary for 15 days for each employment year.

#### *Collective Dismissal*

As per the Albanian Labour Code collective dismissal is the termination of employment, upon the initiative of the employer, for reasons that are not related to the employee, where the number of the dismissed, within a period of 90 days, is at least 10 in enterprises with up to 100 employees, 15 in enterprises with more than 100 to 200 employees, 20

in enterprises with 200 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 notification is published in the working premises visible to the employees and it must particularly indicate the following:

- The reasons of the termination;
- The number of the employees to be dismissed;
- The number of employees currently employed;
- The period during which it is foreseen to undertake and conclude the collective dismissals.

A copy of such notification is also delivered to the Ministry of Labour, Social Affairs and Equal Opportunities.

Unless the employer indicates a longer period, within 20 days from 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 the dismissed employees and to manage the consequences of collective dismissal.

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

Upon termination of the above mentioned period, the employer notifies the employees on the termination of the employment taking into consideration the compliance with the notification period.

Furthermore, the employees dismissed upon procedure of the collective dismissal obtain the seniority bonus in case 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 for a period of at least 4 calendar weeks. Such leave must be taken within the first three months of the following year.

### *Paid Leave*

The employee is entitled to 5 days of paid leave in case of marriage or death of direct ascendant and/or descendant. In addition 10 days of unpaid leave may be granted to the employee in case of severe illness of an immediate family member supported by a medical certificate.

### *Illness*

In case the employee cannot work because of illness, the employer pays him not less than 80 % of employee's 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 may 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<sup>st</sup> and 2<sup>nd</sup> of January)
- Summer Day (14<sup>th</sup> of March)
- Nevruz Day (22<sup>nd</sup> of March)
- Easter (two days)
- Workers' Day (1st of May)
- Bajram (two days)
- Mother Theresa Day (19<sup>th</sup> of October)
- National Independence (28<sup>th</sup> and 29<sup>th</sup> of November)
- Youth Day (8<sup>th</sup> of December)
- Christmas (25<sup>th</sup> of December)

Should the Public Holiday fall on the weekend, the benefit of the day off shall be postponed till the following working day.

CHAPTER 8

ACQUISITION AND  
REGISTRATION OF  
IMMOVABLE PROPERTIES

## Registration of Immovable Properties in Albania

Based on law no. 33/2012 “On Registration of Immovable Properties” the immovable properties should be registered with the immovable properties registers. These registers are opened to the public and are administrated by the local Immovable Properties Registration Offices. The local Immovable Properties Registration Offices report to the Immovable Properties Registration Office which is governed by the Board of Directors and the Chief Registrar.

The register of immovable properties reflects all the data of the immovable property identity of the owner, limits of property, date of registration and the relative deed of ownership acquisition, relevant plans that show the location of property. In addition, any mortgage, assignment of easement, usufruct, right to use and any other right connected to or deriving from the immovable property that is transferred to any third party, should be recorded in the registers. Any contract or other instrument effecting transactions with the immovable properties should be filed with the competent Immovable Properties Registration Office within 30 days from its execution. The Immovable Properties Offices operate based on the first comes first served principle, thus the moment of filing the transaction documents with the said Offices defines the priority of the registration. The Immovable Properties Registration Office upon request of the owner or holder of a real right issues the relevant certificate (i.e. ownership certificate, usufruct certificate, easement certificate etc).

The immovable property that is registered for the first time is subject to the temporary registration. The competent Immovable Properties Registration Office publishes the act of temporary registration for forty-five (45) consecutive days. During this period any interested person can file with the Office any claim or request for the correction of eventual mistakes. No claim submitted after expiration of the said term shall be considered. In case no claim is submitted within the aforementioned period or any claim submitted has been settled in agreement between the parties, the said property will be classified as permanently registered. In case of claims where parties failed to agree on any solution, the competent court shall have jurisdiction to rule on the dispute. The registrar shall record in the register the action in course and indicate the court that is hearing the case.

The Immovable Properties Offices keep separate registers for the registration of the construction/development permits and buildings under construction (i.e. in skeleton phase).

## Restrictions to Foreigners for Acquisition of Land

Based on law no. 7980, dated 27.07.1995 "On Acquisition of Plots" as amended, foreign individuals/entities may acquire and own constructible land, when proven to have invested over the said land not less than three times the value of such land. The value of the land is defined upon a decision of the Council of Ministers. Until realization of such investment, the foreign individual/entity may use the land under a lease contract. Foreign individuals/entities may acquire land, by establishing a company under the Albania law, which may freely acquire and own any type of immovable property.



CHAPTER 9

# GOVERNMENT CONTROLS

## Competition Law

Albanian competition protection system is governed by Law no. 9121 "On Protection of Competition" (Competition Law), entered into force on 1st December 2003. Such Law is willing to harmonize the Albanian competition system with "*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* control of the operations in the relevant market from the competition law perspective.

The pillars of the Albanian Competition Law, which follows mainly the EU competition legislation, are the prohibition of restrictive agreements, abuse of dominant position and concentration leading to the creation or reinforcement of a dominant position when all are carried out from "undertakings".

For purposes of this law, all persons being individuals or public or private legal entities, engaged in commercial activity either Albanian or foreign, provided that their activity has an impact on the national market, are considered "undertakings".

## Agreements Restricting Competition

Competition Law prohibits agreements that have as object to prevent, restrict or distort competition in the market, unless they meet the conditions to benefit from the exemption granted by ACA, either individually or on a category basis. In addition, the Competition Law provides for the *de minimis* rule pursuant to which those agreements which are considered to not significantly effect competition in the market may be exempted from the prohibition.

The undertakings have an obligation to notify restrictive agreements to ACA, which decides whether the said agreements are considered prohibited under the Competition Law.

## Control of Concentrations

The provisions of the Competition Law establish that the concentrations of undertakings consisting of a lasting change of control as a result of (i) the merger of two or more undertakings or parts of undertakings independent from each other; (ii) acquisition or direct or indirect control by one or more natural persons (individuals) that have simultaneously the control over at least another undertaking or by 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) direct or indirect control over one or more undertakings or parts of such undertakings; (iv) creation of a joint venture that does not have as object or effect the coordination of competing activities between two or more independent undertakings, shall be notified for authorization to the Albanian Competition Authority if in the last financial year preceding the concentration, the notification thresholds are met. The notification must take place within 30 days from the conclusion/signature of the relevant agreement (merger, or acquisition of control, or creation of a joint venture) and announcement of a public bid.

The notification thresholds are (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 respectively articulates the procedure for appraisal of concentrations from ACA into “preliminary” and “in-depth” proceedings. During the preliminary proceeding, the ACA shall examine the notification in order to find 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 creation or strengthening of the dominant position”, whilst in the in-depth proceeding ACA must assess whether the concentration substantially restricts competition in the market or in a part of the market, especially, as a result of creation or strengthening of the dominant position.

## Abuse of Dominant Position

A dominant position is not prohibited per se, instead the abuse of such dominant position falls under the prohibition established from the Competition Law. The Law recognizes the existence of a single (one undertaking) and collective (more undertakings) dominant position. The dominant position is defined as the economic power held by one or more undertakings that enable them to impede the effective competition in the market making them able to act, in regard to the offer and demand, independently from the other participants in the market, such as: competitors, clients or consumers.

The Competition Law provides a non exhaustive list of the criteria to be assessed for establishing the existence of a dominant position and of the prohibited abusive behaviors.

Indicatively, fixing of unfair sale or purchase prices and adoption of discriminatory practices are listed as abusive behavior.

## Appendix A

### Useful Addresses in Tirana

Country Code: 355

Tirana City Code: 4

General Information Tel: 124

Ambulance Tel: + 355 4 2223148

Fire Brigade Tel: 128 / + 355 4 2223 333

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

Roadside Assistance Tel: + 355 4 2363423

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

Rinas International Airport Tel: + 355 4 2381600

### Main Hotels

Sheraton Tirana Hotel & Towers Italia Square

Tirana, Albania

Tel: + 355 4 2274707

Fax: +355 4 2274711

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

Tirana International Hotel Skenderbej Square

Tirana, Albania

Tel: + 355 4 2234185

Fax: +355 4 2234188

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

Rogner Hotel Europapark Deshmoret e Kombit Blvd.

Tirana, Albania

Tel: + 355 4 2235035 / 2235034

Fax: +355 4 2235050

E-mail: [info@tirana.rogner.com](mailto:info@tirana.rogner.com)

Grand Hotel Tirana Ismail Qemali Str., No. 11  
Tirana, Albania  
Tel: +355 4 2253219 / 2253220  
Fax: +355 4 2247996  
E-mail: info@grandhoteltirana.com

Diplomat Hotel Muhamet Gjolllesha Str.,  
Tirana, Albania  
Tel: +355 4 2233151 / 2258468  
Fax: +355 4 2230457  
E-mail: diplomat@icc-al.org

Mondial Hotel Muhamet Gjolllesha Str.,  
Tirana, Albania  
Tel: +355 4 2232372 / 2258121  
Fax: +355 4 2258122  
E-mail: hotelmondial@hotelmondial.com.al

President Hotel Ibrahim Rugova Str.,  
Tirana, Albania  
Tel: +355 4 2259574 / 2259575  
E-mail: carlsberg@abissnet.com.al

Chateau Linza Qesarak, Dajti Mountain  
Tirana, Albania  
Tel: +355 4 2362906 / 2362913  
E-mail: chlinza@interalb.net

### Restaurants

Piazza Ded Gjo Luli Str.,  
Tirana, Albania  
Tel: +355 4 2230706

Metropolitan Italia Square, Sheraton  
Tirana, Albania  
Tel: +355 4 2274707

Gloria Qemal Stafa Str., Villa No. 40  
Tirana, Albania  
Tel: +355 4 2247731 / 2222698

Berlin Vaso Pasha Str., No. 7  
Tirana, Albania  
Tel: +355 4 2273863

Vinum Qemal Stafa Str., No. 60  
Tirana, Albania  
Tel: +355 4 2230822

Sky Club Ibrahim Rugova Str.  
Sky Tower  
Tirana, Albania  
Tel: +355 4 2221666 ext. 143

Casa di Pasta Ibrahim Rugova Str.  
Rinia Park  
Tirana, Albania  
Tel: +355 4 2251175 / 2251179

Tavernetta Ibrahim Rugova Str.,  
Tirana, Albania  
Tel: +355 4 2254854

## Appendix B

### List of Banks and Other Funding Agencies

Bank of Albania  
Skenderbej Square, No. 1  
Tirana, Albania  
Tel: +355 4 2222152  
E-mail: public@bankofalbania.org

Albanian Financial Supervisory Authority  
Dora D'istria Str., P.O. Box 8363,  
Tirana, Albania  
Tel: +355 4 2251355 / 6  
E-mail: amf@amf.gov.al

Tirana Stock Exchange  
Dora D'istria Str. No.2  
P.O. Box 274/1  
Tirana, Albania  
Tel: +355 4 2271849  
Email:tseinfo@abcom-al.com

Alpha Bank, Tirana Branch  
Blvd. Zogu i Pare, No. 47  
Tirana, Albania  
Tel: +355 4 2240478 / 2240479  
E-mail: tiranabranch@alpha.gr

Intesa SanPaolo Bank  
Ismail Qemali Str. No. 27  
P.O. Box 8319  
Tirana, Albania  
Tel: +355 4 2276000 / 2248762  
E-mail: info@intesasanpaolobank.al

Societe Generale Albania  
Blvd. Deshmoret e Kombit, Twin Towers,  
Tower 1, 9th Floor  
Tirana, Albania  
Tel: +355 4 2280442 / 2280443  
E-mail: bp.info@socgen.com

Banka Kombetare Tregtare  
Blvd. Zhan D'Ark  
Tirana, Albania  
Tel: +355 4 2250955  
E-mail: info@bkt.com.al

Credins Bank  
Ismail Qemali Str. No. 21  
Tirana, Albania  
Tel: +355 4 2234096  
E-mail: info@bankacredins.com

Credit Bank of Albania  
Perlat Rexhepi Str.  
Al-Kharafi Administrative Building  
Tirana, Albania  
Tel: +355 4 2247535  
E-mail: creditcba@icc-al.org

Credit Agricole Bank  
Kavaja Str. No. 59  
Tirana, Albania  
Tel: +355 4 2258755  
E-mail: headoffice@emporiki.com.al

First Investment Bank  
Blvd. Deshmoret e Kombit, Twin Towers,  
No. 2, 14th -15th floor  
Tirana, Albania  
Tel: +355 4 2276702 / 2276703

International Commercial Bank  
Murat Toptani Str.  
Tirana, Albania  
Tel: +355 4 2256254 / 2254372  
E-mail: icba@icc-al.eu.org

National Bank of Greece  
Blvd. Zogu i Pare, No. 72  
Tirana, Albania  
Tel: +355 4 2233621

ProCredit Bank  
Sami Frasheri Str.  
Tirana, Albania  
Tel: +355 4 2271275 / 2240777  
E-mail: info@procreditbank.com.al

Raiffeisen Bank Albania  
Kavaja Str. No. 44  
Tirana, Albania  
Tel: +355 4 2381000 / 2381381  
E-mail: info@raiffeisen.al

Tirana Bank  
Blvd. Zogu i Pare, No. 55/1  
Tirana, Albania  
Tel: +355 4 2233441 / 2233443

Union Bank  
Blvd. Zogu i Pare (near the Train Station)  
Tirana, Albania  
Tel: +355 4 2250653  
E-mail: info@unionbank.al

United Bank of Albania  
Blvd. Deshmoret e Kombit, No. 8  
Tirana, Albania  
Tel: +355 4 2228387  
E-mail: UBA@albaniaonline.net

## Funding Agencies

Albanian-American Enterprise Fund  
Deshmoret e 4 Shkurtit, Green Park Complex  
Tower 2, 11th Floor  
Tirana, Albania  
Tel: +355 4 2222408

Albanian Guarantee Fund  
Dora D'Istria (in front of Law Faculty), Ap No.3/3  
Tirana, Albania  
Tel: +355 4 2247047 / 2247048  
E-mail: [aga@icc.al.eu.org](mailto:aga@icc.al.eu.org)

## Appendix C

### International Organizations, Government Institutions, Embassies

World Bank

Ibrahim Rugova Str., No. 34

Tirana, Albania

Tel: +355 4 2280650 / 2280651

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

International Monetary Fund (IMF)

Deshmoret e Kombit Blvd.

Twin Towers, Tower 1

5th Floor

Tel: +355 4 2280400

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

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

European Bank for Reconstruction and Development (EBRD)

Abdi Toptani Str., Torre Drin, 4th Floor

Tirana, Albania

Tel: +355 4 2232898 / 2253099

United Nations Development Program (UNDP)

Papa Gjon Pali II Str., ABA Business Center, 6th floor

Tirana, Albania

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

United States Agency for International Development (USAID)

Elbasani Str., No. 103

Tirana, Albania

Tel: +355 4 2247285

International Finance Corporation (IFC)

Ibrahim Rugova Str., No. 34

Tirana, Albania

Tel: +355 4 2280650 / 2280651

## Governmental Institutions

Council of Ministers

Blvd. Deshmoret e Kombit, No. 1

Tirana, Albania

Tel: +355 4 2250474 / 2228399

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

Ministry of European Integration

Papa Gjon Pali II Str., No.3

P.O. Box 8302

Tirana, Albania

Tel: +355 4 2228645

Ministry of Finance

Blvd. Deshmoret e Kombit, No. 4

Tirana, Albania

Tel: +355 4 2267654 / 2226002

Ministry of Foreign Affairs

Blvd. Zhan D' Ark, No. 6

Tirana, Albania

Tel: +355 4 2364090 / 2362084

Ministry of Economy, Trade and Energy

Blvd. Deshmoret e Kombit, No. 1

Tirana, Albania

Tel: +355 4 2223119 / 2223455

Ministry of Interior

Skenderbej Square, No. 3,

Tirana, Albania

Tel: +355 4 2247155 / 2228167 / 2233544

Ministry of Defense

Blvd. Deshmoret e Kombit

Tirana, Albania

Tel: +355 4 2226601 / 2226602

Ministry of Education and Science  
Durrresi Str., No. 23  
Tirana, Albania  
Tel: +355 4 2226307 / 2230747

Ministry of Health  
Blvd. Bajram Curri, No. 1  
Tirana, Albania  
Tel: +355 4 2362937 / 2364908

Ministry of Justice  
Blvd. Zogu i Pare  
Tirana, Albania  
Tel: +355 4 2232704 / 2259388

Ministry of Public Services, Transport and Telecommunication  
Blvd. Deshmoret e Kombit  
Tirana, Albania  
Tel: +355 4 2380833 / 2234695 / 2222653

Ministry of Food, Agriculture and Consumer Protection  
Skenderbej Square, No. 2  
Tirana, Albania  
Tel: +355 4 2232796 / 2227924

Ministry of Tourism, Culture, Youth and Sports  
Kavaja Str.  
Tirana, Albania  
Tel: +355 4 2222508/ 2222392

Ministry of Labour, Social Affairs and Equal Chances  
Kavaja Str.  
Tirana, Albania  
Tel: +355 4 2251008 / 2228340

Ministry of Environment, Forestry and Water Administration  
Durrresi Str.  
Tirana, Albania  
Tel: +355 4 2270623 / 2270630 / 2270621  
Tel: +355 4 2234674 / 2232389 / 2222653

## Embassies

British Embassy in Tirana, Albania  
Skenderbej Str., No. 12  
Tirana, Albania  
Tel: +355 4 2234973/4/5

Embassy of United States in Tirana, Albania  
Elbasani Str., No.103  
Tirana, Albania  
Tel: +355 4 2247285

German Embassy in Tirana, Albania  
Skenderbej Str., No.8  
Tirana, Albania  
Tel: +355 4 2274505

Embassy of Austria in Tirana, Albania  
Frederik Shiroka Str., No. 5  
Tirana, Albania  
Tel: +355 4 22274855/ 22274856

French Embassy in Tirana, Albania  
Skenderbej Str., No. 14  
Tirana, Albania  
Tel: +355 4 22233750

Embassy of Greece in Tirana, Albania  
Frederik Shiroka Str.  
Tirana, Albania  
Tel: +355 4 22274669 / 22274668 / 22274670

Embassy of Italy in Tirana, Albania  
Gjon Pali II Str., No.2  
Tirana, Albania  
Tel: +355 4 2275 900

Royal Danish Embassy in Tirana, Albania  
Nikolla Tupe Str., No.1, 4th Floor. Entry 4,  
Tirana, Albania  
P.O. Box 1743  
Tel: +355 4 222 80 600

Royal Netherlands Embassy in Tirana, Albania  
Asim Zeneli Str., No.10  
Tirana, Albania  
Tel: +355 4 2240826 /2240828 / 2240839

Spanish Embassy in Tirana, Albania  
Embajada de Espana  
Skenderbej Str., No. 43  
Tirana, Albania  
Tel: 4 2274960 / 42274961

## Appendix D

### Banking System – Products and Services

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

The credit facilities consist of a wide range of products including short-term commercial loans, short-term advances, overdrafts, guarantees, mortgage loans, medium term loans and recently commercial and individual leasing alternatives. Micro-credit financing is a sector within the system which has seen rapid growth for some time now. The product based in the micro-credit market includes loans for both businesses and individuals. Some of the loan categories for the above clients are the following: (I) for businesses a range of products including small, medium and large loans, whereas (II) for individual's products including housing loans, loans for reconstruction and consumer loans. Overdrafts are also a product with an increasing appeal.

The treasury products that are delivered include foreign exchange with Albanian currency and cross currencies within a basket of major global currencies, time deposits, purchase of treasury bills and other non-governmental bonds in secondary markets, CDs, Repo agreements etc.

The operational and transactional products offered include international money transfers, import and export letters of credit and bills for collection, current and time deposits travelers' checks, credit and debit cards, and some payments through online banking. The government is currently reviewing a draft law on factoring, which when implemented will allow businesses to sell their receivables to financial intermediaries like banks and other non-bank financial institutions.

The automated services include fax special services and ATMs with cash withdrawal and deposit possibilities 24 hours a day, 365 days a year. Typically, no fees are charged for the issuance of cards and for the transactions performed within the in-country network. Other services are also available like special tax and utilities collection accounts, VAT collection, mortgage loans, mortgage loans linked to time deposits, etc.

## Appendix E

### Corporate Income Tax Declaration and Payment Form

2) Fiscal period	1) Serial Number:	
VAT Number	(3)	
Business name of taxable entity	(4)	
Name Surname of physical person	(5)	
Address:	(6)	
Telephone number:	(7)	
<b>Profit/Loss Calculation</b>		
	<b>Accounting</b>	<b>Fiscal</b>
<b>Revenues and Expenses</b>		
(8/9) Revenues	8	9
(10/11) Expenses	10	11
(12) Undeductible expenses		12
<b>Profit/loss</b>		
(13/14) Loss	13	14
(15/16) Profit	15	16
(17) Loss carried forward		17
(18) Net taxable profit (16-17)		18
<b>Profit Tax Calculation</b>		
(19) Profit tax with standard tax rate	19	
(20) Profit tax at other percentages	20	
(21) Profit tax (19+20)	21	
(22) Deferred profit tax	22	
(23) Prepayments	23	
(24) Credit carried forward from previous period	24	
(25) Request for reimbursement	25	
(26) Overpaid profit tax	26	
(27) Payable profit tax	27	
(28) Penalties/Interests for late payments	28	
<b>(29) TOTAL PAYABLE AMOUNT</b>	<b>29</b>	

## Appendix F

### Financial Statements Formats

#### Balance Sheet

##### As at 31 December 200X

	<i>In thousands of ALL</i>		
	<b>Note</b>	<b>200X</b>	<b>200(X-1)</b>
<b>Assets</b>			
Cash and cash equivalents			
Derivatives and financial assets classified as held for sale			
Other non-current assets			
Inventories			
Biological assets			
Assets classified as held for sale			
Prepayments and deferred expenses			
<b>Total current assets</b>			

---

Non-current financial investments

---

Shares and participation in controlled entities

---

Other shares and participations

---

Other shares and securities

---

Non-current receivables

---

Property, plant and equipment

---

*Land*

---

*Buildings*

---

*Plant and equipment*

---

*Other fixed assets*

---

Intangible assets

---

*Goodwill*

---

*Researches and development costs*

---

*Other intangible assets*

---

Non paid share capital

---

Other non-current assets

---

**Total non-current assets**

---

**Total assets**

---

**Liabilities**

---

Derivatives

---

Current loans and borrowings

---

Current portion of long-term borrowings

---

Convertibles shares

---

Trade and other payables

---

*Trade payables*

---

*Payables toward employees*

---

<i>Current tax payables</i>
<i>Other borrowings</i>
<i>Prepayments</i>
Grants and deferred income
Current provisions
<b>Total current liabilities</b>
Non-current loans and borrowings
<i>Loans, securities and financial leasing</i>
<i>Convertibles shares</i>
Other non-current borrowings
Provisions
Grants and deferred income
<b>Total non-current liabilities</b>
<b>Total liabilities</b>
<b>Equity</b>
Minority interest
Equity holders of the Company
Share capital
Share premium
Statutory reserves
Legal reserves
Other reserves
Retained earnings
Current year profit/loss
<b>Total equity</b>
<b>Total equity and liabilities</b>



---

**CASH FLOW**

---

*Indirect method*

---

**For the year ending 31 December 200X**

---

*In thousands of ALL*

**200X      200(x-1)**

---

**Cash flow from operating activities**

---

Profit before taxation

Adjustments for:

    Depreciation

    Foreign exchange loss

    Investment income

    Interest expenses

    Increase/decrease in trade and other  
    receivables

    Increase/decrease in inventories

    Increase/decrease in trade payables

Cash generated from operations

    Interest paid

    Income tax paid

*Net cash from operating activities*

---

**Cash flow from investing activities**

---

Acquisition of subsidiary X net of cash acquired

Purchase of property, plant and equipment

Proceeds from sale of equipment

Interest received

Dividends received

*Net cash used in investing activities*

---

**Cash flow from financing activities**

---

Proceeds from issue of share capital

Proceeds from long-term borrowing

Payment of finance lease liabilities

Dividends paid

*Net cash used in financing activities*

---

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

---

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

---

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

---

**STATEMENT OF CHANGES IN EQUITY***Non-consolidated accounts***For the year ended 31 December 200X**

	<i>In thousands of ALL</i>			
	Share capital	Premiums Treasury bonds	Legal and statutory reserves Retained earnings	<b>Total equity</b>
<b>Balance at 31 December 200X-2</b>				
Changes in accounting policy				
<b>Restated balance</b>				
Net profit of the current year				
Dividends paid				
Increase of reserves				
Issuance of shares				
<b>Balance at 31 December 200X-1</b>				
Net profit of the current year				
Dividends paid				
Issuance of shares				
Re-purchased treasury bonds				
<b>Balance at 31 December 200X</b>				

## 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 full range of services. Until 1st of May 2007, the firm was a member firm of KPMG International and the Senior Partner/Managing Partner, Mr. Genc Boga was also Managing Partner of KPMG Albania.

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

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

With its diverse capabilities and experience, the firm acts for leading businesses in most major industries, including banks and financial institutions, as well as companies working in 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. Even 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 need 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 advice in Albania and Kosovo, and in particular offers:

- an experienced team with adequate integrated professional staff;
- experience gained with legal and tax services;

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

Boga & Associates is recognized as a top tier firm by the most prestigious ranking companies in Corporate/Commercial, Dispute Resolution, Intellectual Property, Real Estate by Chambers and Partner (2013) and in Financial and Corporate Law by IFLR (2013). The firm is praised by clients and peers as a “law firm with high-calibre expertise” and is distinguished “among the elite in Albania” and as “accessible, responsive and wise”.

Since year 2011 to date, Corporate INTL Magazine – a leading monthly title for international business leaders – granted to the firm several awards (within the Legal category) covering various practices such as: Full Service Law Firm of Year in Albania, Albanian Law Firm of the Year respectively in Commercial Law, Banking & Finance, Dispute Resolution Advisory, Immigration, Employment Law and Tax Law.

Corporate INTL also awarded Boga & Associates within the Global Legal Awards category as the Law Firm of the Year in Corporate Tax (Albania) and in Banking and Finance (Kosovo).

## **EXPERTISE**

### **Legal**

- Commercial Law
- Intellectual Property Law
- Banking and Financial Law
- Competition Law
- Energy and Utilities
- Construction Law
- Employment Law
- Electronic Communication and Entertainment

- 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

## YEAR 2012 IN BOGA & ASSOCIATES

Boga & Associates sponsor and panel contributor to the “Albania’s Business Environment” Forum hosted in Paris, on 3 December 2012 by UBIFRANCE (the French Agency for International Business Development).

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Boga & Associates sponsor contributor to the event “AmCham PUB-American Election Night” organized by American Chambers of Commerce in Albania.

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Boga & Associates major sponsor to the event “Vienna – Tirana Ball” organized by Austrian Society Albania on the occasion of “100 Years of Independence of Albania”.

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Boga & Associates panel contributor to “Turkish-Kosovar” Businessmen Meeting, 4 October 2012, Pristina.

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Corporate Intl awards Boga & Associates as the Law Firm of the Year 2012 in Banking and Finance (Albania and Kosovo) and Corporate Tax (Albania).

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Boga & Associates stand exhibitor to “France-South Eastern Europe Forum” on 4-6 July 2012, in Sofia.

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Boga & Associates major sponsor to the “Albanian-German Economic Forum” organized on 20 June 2012, at Tirana International Hotel.

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Boga & Associates member of Islamic Finance Lawyers (iSfin) attends the 3rd Members Meeting in Istanbul, 23 May 2012.

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Chambers Global Guide 2012 recognizes Boga & Associate as one of the Albanian leading firms in General Business Law practice area.

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Published by Boga & Associates in June 2012, “A Practical Guide on Doing Business in Albania” is perceived as the Guide aiming to provide a good starting point and helpful guidance for investors seeking to operate in the Albanian market.

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Chambers Global ranks Genc Boga, Managing and Senior Partner and Sokol Elmazaj, Partner (Tirana and Pristina offices) as “Leading Individuals” for the year 2012.

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Boga & Associates major sponsor and panel member to the “4th UK-Albania Investment Forum” hosted in London on 19 April 2012 by the Albanian Embassy with the cooperation of International Business and Diplomatic Exchange.

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Boga & Associates launches its latest edition of the publication “Investment in Kosovo, 2012”.

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Boga & Associates contributor to “Wishing for a Successful 2012 business Year” a ceremony organized by Foreign Investors Association of Albania.

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Boga & Associates panel contributor for Albania and Kosovo to “Antitrust Enforcement in CEE Countries: State and Trends”, a conference presented by ABA Section of International Law - International Antitrust Law Committee.

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IFLR 1000 ranks Boga & Associates as a Top Tier law firm in financial and corporate law in Albania, for the year 2013.

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Boga & Associates is once again the firm selected by Business Monitor International in the Q1 2013 of its 10 Year Business Forecast Report to illustrate the development of the Albanian legal framework and judicial system.

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“The New Europe” magazine features Boga & Associates as a reference in the legal market in Albania.

## ACHIEVEMENTS OF BOGA & ASSOCIATES



### IFLR 1000, Top Tier Firm, 2005-2013

- Corporate
- Financial
- Merger & Acquisitions



### Chambers Global, 2007-2013

- General Business Law
- Leading Individuals



### Chambers Europe, 2007-2012

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



### Corporate INTL, Global Awards, 2011-2012

- Banking and Finance in Albania and Kosovo
- Corporate Tax in Albania



### Corporate INTL, Legal Awards, 2011-2013

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



### Global Legal Expert (GLE) 2011-2013

- Full Service Law Firm in Albania
- Banking and Finance in Kosovo
- Commercial Law in Kosovo





