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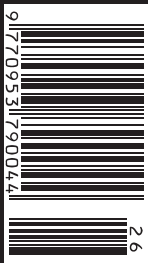
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# BRIEFING

# BALKANS



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With Croatia's entry into the EU looming, our Balkans briefing this week looks at how the region is planning to implement a privatisation programme across a number of sectors such as energy and roads. Meanwhile, in Albania efforts are being made to encourage foreign investment

## ALBANIA

# Foreigners welcome

Albania is removing financial and legal restrictions on foreign investors and is offering large tax incentives



Genc Boga is managing partner of Boga & Associates

Albania is in a good economic and geographic situation, strategically positioned at the natural crossroads of major European transit corridors.

International businesses are drawn by its free market access, low taxes and motivated, educated and competitively priced workforce. Known as a reforming country, Albania has been moving fast towards a more open and liberal model, with inward investment playing a key role in its transformation.

## Legal protection

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

The Law on Foreign Investments provides "special state protection" for investments/projects exceeding €10m. Protection is granted in a dispute between a foreign investor and a private party claiming title over the land where the project is or will be built/developed. Under the protection, the state replaces the foreign investor in court and undertakes to indemnify the claimant if the court rules in its favour.

## Legal incentives

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, UK and US
- Double taxation treaties in force with: 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.

## Business registration

Foreign investors have many options for organising business operations in Albania. They can establish a locally incorporated company or a branch or a representative office. New entities are registered with the National Registration Center - a one stop

shop for registration – with public authorities enabling the entity to commence its operations.

## Restrictions on foreigners

A foreigner can be a shareholder and/or administrator of an Albanian entity; there are no restrictions related to nationality.

Certain restrictions apply to foreigners buying land; individuals/entities may acquire and own constructible land only if it can prove it has invested at least three times its value. The value of the land is determined by the Council of Ministers. Until then, the foreign individual/entity may lease the land.

Another option for foreign individuals/entities to acquire land is to establish a company under the Albanian law, which may freely acquire and own any type of immovable property.

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. The SAA further liberalised trade between the EU and Albania and a free trade area between Albania and the EU was established.

## Legal harmonisation

Albania is in the process of reorganising its legal framework as part of EU harmonisation. It has also agreed fiscal incentives aimed at attracting inward investment. Nevertheless, the effect of tax incentives is hampered by the inexperience of officers and judges in tax matters.

Foreign holding companies can benefit from 10 per cent corporate tax – one of the lowest rates in the region. The net profit can be then be repatriated, subject to a withholding tax on dividends of 10 per cent. That rate can be lower or zero if the profit is repatriated to a person resident in a country with which Albania has entered into a double tax treaty, and where the treaty contains a lower rate.

Corporate income tax is prepaid quarterly and the tax due reconciled by 31 March the following year. Any difference between tax instalments and tax due is paid to the state. Tax paid in excess through instalments is carried forward or reimbursed. However, there is a time lag for reimbursement, which can affect businesses' cashflow.

## Potential investments

Sectors with potential for investment include construction, telecommunications, minerals, energy and oil, food, textiles and footwear. The government plans to focus on financing transport, municipal-urban development, energy (HPP and renewable sources of energy) and environmental projects.

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