

BOGA & ASSOCIATES

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Investment in Albania

2011

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Preface

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 August 2011, 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.

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Content

Chapter 1	General Information	7
	Geography and Climate	7
	Population and Language	7
	Currency	7
	Government and Political System	8
	A Brief History of Albania	8
	Visa System for Foreigners Traveling to Albania	10
	Employment of Foreigners	11
	Residence of Foreigners	12
	Accommodation	13
	Working Hours	13
	Airport and Telecommunication	14
Chapter 2	Economic Survey	15
	Key Indicators	15
	Economic Indicators	15
	Financial Sector	18
	Trade	24
Chapter 3	Opportunities for International Investors	27
	Opportunities and Incentives for Foreign Investors	27
	Privatization	28
	Sovereign Rating	29
Chapter 4	Business Law	31
	Types of Business Entities	31
	Registration with National Registration Center	33
	Licensing of Business Activities	34
	Accounting Regulations	36
	Financial Statements and Certification Requirements	37
	Audit Requirements	38
Chapter 5	Taxation of Businesses	39
	General	39
	Residency	39
	Corporate Income Tax	39
	Withholding Taxes	42
	Double Taxation Avoidance Treaties	42
	Indirect Taxes	43
	Local Taxes	44

Chapter 6	Taxation of Individuals	49
	General	49
	Residency	49
	Taxable Income	49
	Tax Exempt Income	50
	Personal Income Tax Rate	50
	Social Security and Health Contribution	50
Chapter 7	Labour Law	53
	General Issues	53
	Working Conditions	54
	Employment Contracts	54
	Holidays / Paid Leave	57
Chapter 8	Acquisition and Registration of Real Estate	59
	Registration of Real Estate in Albania	59
	Restrictions to Foreigners for Acquisition of Land	59
Chapter 9	Government Controls	61
	Competition Law	61
	Agreements Restricting Competition	61
	Control of Concentrations	61
	Abuse of Dominant Position	62
	Appendixes	
	A. Useful Addresses	63
	B. List of Banks and Other Funding Agencies	66
	C. International Organizations, Government Institutions, Embassies	69
	D. Banking System – Products and Services	73
	E. Corporate Income Tax Declaration and Payment Form	74
	F. Financial Statements Format	75

Chapter 1

General Information

Geography and Climate

Albania is a country in the southeast of Europe. It is located in the west of the Balkan Peninsula and covers a surface of 28,748 km². Albania borders Montenegro and Kosovo in the north and northeast, Macedonia in the east, and Greece in the south. Albania has access to 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. Average rainfall is 1,300 mm per annum.

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

The population of Albania is approximately 3,194 million and the district of Tirana, its capital city, has a population of some 726,547 inhabitants. Before 1990 more than 60% of the population lived in rural areas. After this date there was considerable internal migration from rural areas to urban ones and from small towns to bigger cities, especially to Tirana.

Since 1990, Albania has also experienced massive emigration. It is estimated that 15% of the population currently lives outside the country, the most frequent destinations of Albanian emigrants being Greece and Italy.

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.

Currency

Albania's official currency is the Lek (ALL). Monetary policy is under the control of the Bank of Albania (BoA). The BoA issues the money in circulation, manages foreign currency reserves and supervises the banking system.

Up to 1996, the Lek remained relatively stable (1 USD was equal to 100 ALL). Following the crisis of 1997, the Lek lost approximately 80% of its value against the US Dollar and other currencies. 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 the Bank of Albania, in annual average terms, the Lek was underrated by 4.3 % against the Euro and by 9.5 % against the US Dollar during 2010.

The exchange rate is 1 USD = 104.00 ALL and 1 EUR = 138.77 ALL
(Bank of Albania, December 2010).

Government and Political System

Albania is a Parliamentary Democracy. 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.

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.

Almost three months after joining the military alliance NATO, parliamentary election were held in Albania. Prior to the election, the electoral law was changed to a regional proportional system. Neither the centre-right Democratic Party nor the main opposition Socialist Party won enough votes to form a government outright, giving the centre-left Socialist Movement for Integration a key role. The Socialist Movement for Integration agreed to enter into a coalition and form a new government with the right-wing Democratic Party.

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. A visa shall be issued if the relevant person presents to the Albanian diplomatic or consular representation an invitation from an institution or private person resident in the Republic of Albania. Furthermore, foreign citizens in possession of short/long term Schengen visa or holders 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
Canada
Iceland
New Zealand
Norway
San Marino
Switzerland
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	Israel	Montenegro
Andorra	Japan	Singapore
Brazil	Kosovo	South Korea
Chile	Liechtenstein	Turkey
Croatia	Malaysia	Vatican
FYROM	Monaco	

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

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 fair 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 in the context of application 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 (pre-stamped form);
2. Decision of the court on the registration of the employer as a legal entity or the 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 Directorate of Migration Policies will issue its decision on the work permit application within 10 working days from the date of the submission of the documentation. The official fee for the work permit is 6,000 ALL. The above listed documents may slightly differ depending on the working activity the foreign citizen intends to perform in the Republic of Albania. Once the foreign citizen obtains the work permit, they must apply for a residency permit.

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. Criminal record certificate of the applicant obtained in the country of origin issued in the last 6 months;
4. Lease or purchase contract of the premises where the applicant is residing;
5. Personal and/or family certificate, obtained in the country of origin issued in the last 6 months;
6. 2 (two) photos;
7. Declaration on reasons of staying of the host or the employer;

8. Copy of the work permit or copy of the license of activity;
9. Medical certificate (for citizens coming from countries affected by an epidemic disease);
10. Certificate attesting the payment of the relevant fee.

The Border and Migration Department will issue its decision on the residence permit application within 30 days from the date of the submission of the documentation. The official fee for the residence permit is 10,000 ALL.

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-hotel.com.

Foreign citizens that plan to stay longer in Albania can rent houses and apartments. The rental cost for a 100 m² 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.

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 Survey

Key Indicators

Although marked by considerable fluctuations, 2010 was characterized by satisfactory stability in consumer prices. The decrease in the price of raw materials in the international market was reflected by the price of oil, food prices in the internal market, inflationist expectation, controlled levels of monetary expansion, and the realization of the budget expenses pursuant to the plan, contributed to provide a suitable macro economic climate for controlling inflationary pressure.

Macroeconomic developments in Albania were influenced by the global crisis. Against this international backdrop, Albania's economy posted stronger growth, confirming that the recovery in under way. This was as a result of sluggish domestic and external demand, tightened liquidity conditions and reduced foreign currently inflows.

Economic Indicators

During 2010 inflation expectations were characterized by low positive values within the range of 2 – 4%.

The Annual Gross Domestic Product growth rate was 3.6% during the first nine months of 2010. It began to slow from 2.5% in the first quarter to 4.9% in the third quarter. Taking into consideration the growth rate in the third quarter and information available for the fourth quarter, the Bank of Albania assesses real economic growth for 2010 at about 3.6%. Net exports continued to make a strong contribution to aggregate demand during 2010 and narrowed by 16% compared to the previous year.

Table 1

	2005	2006	2007	2008	2009	2010
Nominal GDP ALL (Bn)	814.8	882.2	968	1,088	1,143.60	Not yet available
Nominal GDP USD (Bn)	8.39	9.14	11.3	12.68	12.2	Not yet available
Nominal GDP/Capita (USD)	2,674	2,855	3,256	4,073	3,864	Not yet available
<i>Growth Rate (%)</i>						

Real GDP	5.5	5.00	6.00	8.00	3.3	3.90
Retail prices (avg.)	2.4	2.4	2.9	4	2.3	3.5
Retail prices (end of period)	2	2.5	3.1	3.9	3.7	3.3

Source: Bank of Albania – Annual Report 2010

The following table outlines the source of Albanian Gross Domestic Product from 2005 to 2010.

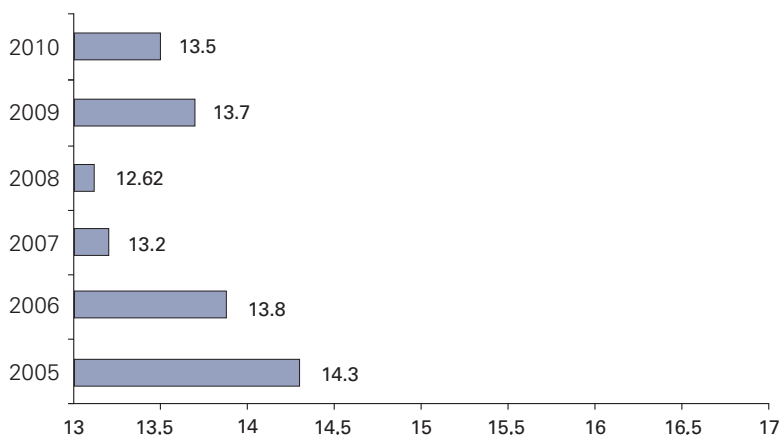
Table 2

In% of Total	2005	2006	2007	2008	2009	2010
Industry	9.5	10.1	9.3	10.47	10.42	11.67
Agriculture	21.9	21.5	18.9	20.25	20.6	20.8
Construction	16.5	17.3	14.6	15.89	13.76	11.73
Transport	7.8	8	5.5	4.94	4.87	5.21
Other Services	44.3	43.1	51.7	48.45	50.35	50.59

Source: Bank of Albania – Annual Report 2010

The unemployment between 2005 and 2010

Unemployment during years



Source: INSTAT, Bank of Albania

Fiscal Indicators

Budget revenues and public spending totalled ALL 324 billion and ALL 363 billion respectively, which constitute 26.5% and 29.6% of GDP. The Budget deficit expanded particularly after the first quarter reaching about 3.1% (2009: 7 %) of GDP by the end of the year. The main sources of deficit financing were the proceeds from privatizations and syndicated loans.

In November 2009 Eurobonds amounting to EUR 300 million were issued. A portion of the proceeds were used to pay the syndicated loan received in 2009. Revenues grew by 8.4% in 2010; this growth was mainly attributed to decisions of the fiscal authority and non – tax revenues. Revenues from VAT and excise duties for 2010 were increased by 3.6% and 15.8%, respectively. Except for excise duties, other taxes increased by a lower percentage compared with the period 2005-2008.

Table 3

	2005	2006	2007	2008	2009	2010
	<i>In% of GDP</i>					
Revenues	24.4	24.6	25.7	27.7	26.2	26.5
Expenditures	27.8	28.7	29.1	32.9	33.2	29.6
Overall Balance	-3.4	-4.1	-3.4	-5.2	-7	-3.1

Source: Ministry of Finance, IMF, Bank of Albania

Monetary Indicators

The key interest rate decreased during 2010 by 0.25 of a percentage point compared with 2009 where it stood at 5.75.

Credit to the private sector shows a moderate increase during 2010. The annual growth rate stood at 10% at the end of the year, from 20% in the previous year. Credit to the private sector portfolio rose by 1.7 percentage points as a share of GDP, reaching 38.7%.

Deposit interest rates remained at relatively high levels, promoting deposit flows into the system.

Meanwhile, the average intermediation margins increased due to tightening leading terms.

The exchange rate continued to depreciate during 2010, due to a change in demand/supply ratio in the foreign exchange market.

Table 4

	2005	2006	2007	2008	2009	2010
<i>Exchange Rates - Period Average</i>						
ALL / USD	99.9	98.1	90.4	83.9	95	103.9
ALL / EUR	124.2	123.1	123.6	122.8	132.1	137.8
<i>Annual ALL Interest Rates - End of Period (%)</i>						
Deposits	5.57	4.94	6.33	6.79	5.3	5.19
Loans (weighted avg.)	12.16	12.92	13.57	12.82	13.15	12.59
T-bills	6.91	7.14	7.99	8.09	9.14	6.91
Core Interest Rate (%)	5	5.5	6.25	6.25	5.75	5.5
<i>Amounts in ALL (Bn) - End of Period</i>						
Deposits	425.5	463.5	602.2	653.5	662	785
<i>Loans</i>	121.94	191.2	287.5	271.6	431.0	472.6
Credit to Economy (in% of GDP)	14.57	21.3	30.1	39.8	43	45

Source: Bank of Albania – Annual Report 2010

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

The Bank of Albania 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 2009 the Bank of Albania continued to compile and distribute monetary statistical services in all its forms. During December 2008 and early 2009 the detachment from the previous format of publication of monetary indicators and shift towards a new structure in line with “Monetary and Financial Statistics Methodology”; Bank of Albania, July 2003 took place. The methodology was based on the “Monetary and Financial Statistics Manual” International Monetary Fund, 2000. The application of standards of the new manual brings significant improvements; one of the most significant being the expansion of institutional coverage, which has been extended to all deposits – money institutions operating in Albania (Bank of Albania and the second tier banks and savings and loan associations).

Banking System

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

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 percent;

- report to the General Directorate for the Prevention of Money Laundering, located near to the Ministry of Finance:
 - all transactions in cash with a value equal or higher than ALL 1.500.000, or its equivalent in other currencies,
 - all transactions in cash with a value equal or higher than ALL 6.000.000, or its equivalent in other currencies, executed as a single transaction or as several related 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 according which:
 - any individual is entitled to transfer out of the territory of the Republic of Albania, a total of ALL 3.5 million or the equivalent in other currencies computed using the daily exchange rate, within a period of one year;
 - for payments higher than ALL 3.5 million, supporting documentation must be submitted also specifying the allowed payment instrument, i.e. Letter of Credit, Letter of Guarantee.

Banking Industry Composition

Regarding the number of banks in Albania a similar picture is found. In Albania, as in the year 2009, in 2010 the number of operating banks is 16. In 2009, Albania counts 3 Unions of Savings & Loans Associations and 135 Savings and Loans Associations. Currently, there are 17 non-banking financial entities operating in the Albanian finance market. The number of branches and agencies operating in Albania increased from year to year.

List of Banks and their respective presence as at the end of 2010

Table 5

Nr.	Banks	Number of branches	Number of branches abroad	Number of Agencies
1	Raiffeisen Bank	103		-
2	United Bank of Albania	4		2
3	National Commercial Bank	27	1	32
4	Italian Bank for Development	8		-
5	Tirana Bank	49		3
6	Branch of the National Bank of Greece	5		25
7	International Commercial Bank	9		-
8	Branch of Alpha Bank	48		1
9	Intesa Sanpaolo Bank Albania	17	1	14
10	ProCredit Bank	25		17

Nr.	Banks	Number of branches	Number of branches abroad	Number of Agencies
11	First Investment Bank (Fibank)	5		4
12	Emporiki Bank (Credit Agricole Group)	13		11
13	Credit Bank of Albania	1		2
14	Credins Bank	28		6
15	Societe Generale Albania	42		-
16	Union Bank	15		15

Source: Bank of Albania – Annual Report 2010

The following table presents the structure of entities licensed by BoA from 2005 to 2010:

Table 6

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

Source: Bank of Albania – Annual Report 2010

The ROA and ROE indicator at the end of the first nine-month period of the year 2009 was at very low but positive levels. The performance of the banking system reported a significant increase in net result for the year 2010 of ALL 6.72 billion compared with ALL 3.54 billion in 2009.

Table 7

	2005	2006	2007	2008	2009	2010
	<i>In ALL (bn)</i>					
Net Results	6.6	7.45	9.98	7.33	3.54	6.72
	<i>In Percentage</i>					

ROA	1.4	1.36	1.48	0.91	0.42	0.72
ROE	22.24	20.17	20.32	11.35	4.58	7.58

Source: Bank of Albania – Annual Report 2010

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

Table 8

	2005	2006	2007	2008	2009	2010
<i>In ALL (bn)</i>						
Loans	121.94	191.2	287.5	388.6	431.0	472.6
Individuals	38.44	64.4	102.6	134.7	139.8	142.2
Companies	83.5	127.8	180.9	253.9	291.2	330.4
% of Deposits	28.66	35,6	47.7	62.7	65.1	60.2
% of GDP	15.7	22.3	31.9	39.8	42.8	45.3
<i>In ALL (bn)</i>						
Money outside the Banks	150	163	155	196	209	195

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 the domestic market in 2009, of which seven were non-life insurance companies, two life insurance companies and one a combined life and non-life insurance company. Gross Written Premium for 2010 is ALL 8,1 billion.

Table 9

	2009		2010	
	<i>In numbers of contracts</i>	<i>In ALL (mln)</i>	<i>In numbers of contracts</i>	<i>In ALL (mln)</i>
Compulsory Insurance	391,852	4,191	N/A	4,259
Voluntary Insurance	363,817	3,686	N/A	3,947

<i>Of which</i>				
<i>Life</i>	<i>66,176</i>	<i>723</i>	<i>69,915</i>	<i>849</i>
<i>Non-life</i>	<i>689,490</i>	<i>7,083</i>	<i>666,363</i>	<i>7,302</i>
<i>Reinsurance accepted</i>		<i>72</i>		<i>55</i>
<i>Total</i>	<i>755,669</i>	<i>7,878</i>	<i>736,278</i>	<i>8,206</i>

Source: Financial Supervisory Authority

The insurance market increased by 4.17%. Gross written premiums of voluntary insurance had a share of about 48%, while the compulsory share of the market was 52% compared to 2009 compulsory insurance gross written premiums accounted for 42% and 57% of the market. Instead, in 2010 the number of concluded insurance contracts decreased by 2.5% in comparison to 2009. The value of concluded contracts amounted to ALL 8,206 million.

In 2010, motorized vehicle insurance continued to dominate the market structure. Gross written premium of domestic motorized vehicle insurance was around 1.83% more than in 2009. The revenues from voluntary insurance amounted approximately to ALL 3.9 billion in 2010, 7% more than the previous year.

In 2010 the Albanian non-life insurance market was comprised of the following companies:

SIGAL – 30.71%
 SIGMA – 15.38%
 INTERALBANIAN – 11.09%
 ATLANTIK – 10.83%
 INTERSIG – 9.87%
 INSIG – 8.41%
 ALBSIG – 7.44%
 EUROSIG – 6.28%

The market for life insurance is comprised of the following companies (with respective market shares as at end of the year 2010):

SIGAL:LIFE – 52.9%
 SICRED – 27.93%
 INSIG – 18.88%

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

Table 10

	2005	2006	2007	2008	2009	2010
<i>In ALL (mil)</i>						
<i>Claims</i>	1,227	1,287	1,294	1,571	1,725	2,292
<i>Premiums</i>	4,026	3,893.46	5,935.37	7,059	7,877	8,206
<i>Claims/Premiums</i>	31%	28%	22%	22%	22%	28%

Source: Financial Supervisory Authority

Trade

The year 2010 was characterized by accelerated growth rate of our country's trade activity, mainly affected by the recovered trade exchanges in international conjuncture and expanded external demand. Trade recorded absolute values close to those of 2008 and increased by approximately 16.2% in annual terms relative to those of 2009. The ratio of import coverage by export was estimated at 33.7%, about 6.8 percentage points higher than the six-year historical average. Trade volumes have rapidly expanded in Albania since the beginning of transition. Imports have grown by an average annual rate of 19.1 percent while exports have grown 21.9% during the period 1998-2005. During the first four years of transition, Albania registered the strongest export performance in EU markets among all former centralized communist economies with an average rate of growth during the period 1993-1996 of 65%*.

Albania joined the World Trade Organization in September 2000 and is currently implementing its tariff reductions schedule. According to the Albanian Center for International Trade (ACIT), the trade-weighted average import tariff has been eased from 15.3% in 1998 to 11% in 2000 and 7.41% in 2006. Albania has also signed Free Trade Agreements with eight South-Eastern European countries.

Table 11

Principal exports 2010		Principal Imports 2010	
	<i>% of Total</i>		<i>% of Total</i>
Food & live animals	3.6	Food & live animals	12.7
Raw materials and minerals	11.5	Raw materials and minerals	1.9
Fuels	18.0	Fuels	13.8
Beverages & tobacco	0.4	Beverages & tobacco	4.1
Chemical products	0.9	Chemical products	11.1

*1) World Bank Country Economic Memorandum, Dec. 2004

Processed goods	24.5	Processed goods	26.2
Machinery & Equipment	4.1	Machinery & Equipment	19.3
Miscellaneous processed goods	36.6	Miscellaneous processed goods	9.5
Animal & vegetables oils & fats	0.06	Animal & vegetables oils & fats	1.4

Source: INSTAT

In 2010 the export of goods by value showed an upward accelerated trend during the year. This trend in exports was affected by several important factors, such as the national currency's depreciated position in front of the common European currency, the upward price trend for raw materials and based metals in international markets, improved domestic demand in our main trading partners. Thus, some of major products that positively contributed to export were electricity, chrome ore, processed materials of aluminium, chromium and steel, cement and re-export textiles.

Table 12

	2007	2008	2009	2010
Trade in goods	<i>In ALL (mln)</i>			
Exports FOB	97,171	112,572	103,244	161,504
Imports CIF	376,194	439,894	431,107	478,708
Trade Balance	-279,023	-327,322	-327,863	-317,204
Memorandum Item: Exports/Imports (%)	25.8	25.6	23.9	

Source: INSTAT

Geography of Trade in 2010

Compared with the year 2009 there was an increase of export and imports in the year 2010. The increase of import during 2010 was higher compared with the increase of export. The main trade activity was with the European Union countries. Italy and Greece, Albania's most important trading partners generated 50.8% of export and 28.2% of imports with Italy and 5.4% of exports and 13% of imports with Greece.

Table 13

	Exports	Imports
<i>Partner countries</i>	<i>% of Total</i>	<i>% of Total</i>
EU-25	90.6	83.8
Greece	5.4	13.0
Italy	50.8	28.2
SEE Countries		
Kosovo	6.2	0.7
FYROM	1.7	1.5
Serbia & Montenegro	2.1	3.9
Croatia	0.1	1.9
Bulgaria	1.0	1.7
Romania	0.05	1.2
China (Hong Kong)	0.04	0.06
Turkey	6.0	5.6

Source: INSTAT

Chapter 3

Opportunities for International Investors

Foreign Investments

According to the Bank of Albania Annual Report 2010, foreign direct investments inflows in 2010 yielded EUR 827.4 million. Foreign direct investment in 2010 were oriented mainly to hydropower sector and hydrocarbon sector.

Opportunities and Incentives for Foreign Investors

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.

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.

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 Hydrocarbons

- The restructuring and privatization of Albpetrol SHA. the state oil and gas exploration and production company.

In Water Supply and Transportation

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

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.

Hydropower plants

- Privatization of five existing small hydropower plants owned by the state.

The Albanian government has introduced the Private Public Partnership (PPP) concept 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 institutions engaged in the privatization process are:

- Council of Ministers
- Ministry of Economy, Trade and Energy (METE)
- Regulatory authorities for the respective sectors
- Other ministries related to the respective privatization sectors
- Public Procurement Agency
- Concession Agency

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). Depending on the content of the contract, it may also be subject to ratification of the Parliament.

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 modelled 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 the 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 is 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 2 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 equalling 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 instalments 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 joint stock company may have "ordinary shares" or "privileged shares". The latter may also have no voting rights and in any case may not represent more than 49% of the registered share capital.

The Commercial Law provides for the adoption by joint stock companies of a flexible administration system. Joint stock companies may choose to adopt either 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.

In general, the Bylaws should contain the following:

- Name of the company;
- Shareholders;
- Initial capital;
- Registered seat of the company;
- Rules on administration of the company;
- Scope of the company;
- Duration 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

Recently, the Albanian Parliament and Council of Ministers have adopted the following legal framework regarding the procedures of licensing of specific activities:

- Law no. 10081, dated 23.02.2009 "On Licenses, Authorizations and Permits in the Republic of Albania" (hereinafter referred to as the "Licensing Law").
- Decision of Council of Ministers no. 538, dated 26.05.2009 "On Licenses and Permits issued by or through the National Licensing Center and other sub-legal regulations" (hereinafter referred to as the "Licensing Decision").
- Law no. 10137, dated 11.05.2009 "On Amendments to the legislation on licenses, authorizations and permits in the Republic of Albania".

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

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 are 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 year's 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" are not obliged to apply the NAS. They may maintain the accounting books and prepare the financial statements based on the criteria defined by NAC and approved by Council of Ministers. Such criteria are not yet published.

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;

* This standard is not obligatory

- 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. Beginning from year 2003 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 the 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 when they exercise the professional activity as individuals.

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 year is the calendar year.

The process of modernization of the tax legislation started in October 1997 with changes to VAT, established in mid-1996, by replacing the turnover tax. The initial VAT rate of 12.5% was increased to 20% and most exemptions were abolished. 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.

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 seated 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 in respect of technical, consulting and management services provided by non resident entities, and not paid in the relevant tax period (such expense become deductible should the company pay the amount of withholding tax related to such services during that tax period);
- 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:

* This rule is not applicable for banks, insurance companies and financial lease companies

- 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, jewellery, 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 required by their regulatory bodies. Provisions created from banks in excess of minimum requirements on bad debt provisions established by the central bank are disregarded.

Losses

Losses may be carried forward for three years. However, this does not apply when there are changes of more than 25% in ownership titles.

Inter-Company Dividends

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

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, whether individuals or 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 non-residents are subject to a final withholding tax at a 10% rate.

Interest

- Interest paid to non tax registered residents or to non-residents 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 accessory supervision services paid to non tax registered residents and to non-residents.

Double Taxation Avoidance Treaties

Since 1992 Albania has entered into agreements “For the Avoidance of Double Taxation with respect to Taxes on Income and on Capital” with several countries. The Agreements cover the taxation of income from business profits, international transport, dividends, interest, royalties, dependent and independent personal services, as well as income from real estate. They establish the rules that apply to taxation 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, 2009
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

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. In such case, the registration for VAT purposes is required. For individuals and legal entities that operate in the import/export sector it is mandatory to be registered, notwithstanding the annual turnover. Taxable transactions include the supply of goods and services in Albania by a taxable person, 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, are VAT taxpayers irrespective of their annual turnover. 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.

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

Exceptionally, medicaments 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 imported by the taxpayer for purposes of business activity, despite their type, 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. For goods produced in Albania, the excise tax is calculated on the sale price of goods. For imported goods this tax is calculated on the customs value including import duty. Excise tax is not applied when goods are exported.

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

Tobacco	ALL 2,500 per kg
Cigarettes	ALL 70 per pack
Beer	ALL 10 up to ALL 30 per litre
Wine	ALL 20 up to ALL 35 per liter
Heavy oils (gas oil)	ALL 37 per liter
Coffee roasted/non-roasted	ALL 140 / 30 per kg

Packages of plastic/glass/mixed	ALL 100 / 10 / 20 per kg
Pneumatics	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 Interim Agreement on Trade and Trade-related Matters between the European Community and Republic of Albania, customs tariffs applicable on industrial products originating from EC members are eliminated starting as of 1st January 2011.

The customs duties for processed agricultural products originating from EC 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 port charges, consular fees, tax on minerals, cleaning fee 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 for a period or periods of more than 183 days per 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 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 to 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.

Personal Income Tax Rates

Wages, salaries and other compensation for employees will be taxed as follows in Table 15:

Table 15

Threshold (monthly compensation)		Income tax
0	to 10,000	0%
10,001	to 30,000	10% of the amount over 10,000
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.

Social Security Contributions

The Albanian social security system is administered by the Public Institute of Social Security, 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 17,540 (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 87,700 per month, is subject to contribution at the following rates:

Contribution Rate:

	Social Security	Health Insurance
Paid by employer	15%	1.7%
Paid by employee	9.5%	1.7%

The Council of Ministers has decided the minimum reference monthly salary for purposes of calculation of the social and health insurance contributions and personal income tax (Decision no. 285, dated 04 May 2007). The minimum reference salaries depends on the location of the employer (higher for Tirana and other big cities), its tax status (higher for entities registered with the Large Taxpayers Office in Tirana than for those entities registered with the local tax office of Tirana or other cities), nature of its activity (i.e. nomenclature of the economic activity e.g. Hotels and Restaurants, Transportation and Telecommunication, Financial Sector etc.) and qualification of the employees.

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 (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 this latest should be 50% longer than the work performed.

Retire Age

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

Minimum Salary

According to Decision of Council of Ministers no. 527, dated 20.07.2011 “On determination of minimum wage in Albania” a new level of the basic minimum monthly salary is

applicable from 01.07.2010. As per the above Decision, the basic minimum monthly salary is ALL 20,000. 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 behaviour.

At the termination of the employment relationship the parties may enter into a non-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 fulfilment 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 terminate 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' 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 detailed 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 to the above, the parties may agree in writing to alter the above notice periods provided that for employment 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 the 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 in writing its employees. The notification is published in the working premises being so visible by 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 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 rights against the employer when he refuses without cause to undergo a medical examination requested by the employer.

National Holidays

In Albania the following Public Holidays are observed:

- New Year (1st and 2nd of January)
- Summer Day (14th of March)
- Nevruz Day (22nd of March)
- Easter (two days)
- Day (1st of May)
- Bajram (two days)
- Mother Theresa Day (19th of October)
- National Festivities (28th and 29th of November)
- Youth Day (8th of December)
- Christmas (25th 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 Real Estate

Registration of Real Estate in Albania

Based on law no. 7843 “On Registration of Real Estate” real estate should be registered with the relative register. These registers are opened to the public. Any administrative unit is under the jurisdiction of an Office of Real Estate Registration that keeps and administers the register of real estate. Any Office of Real Estate Registration relies on the Central Office of Real Estate Registration which is governed by the Main Registrar and its Vice. The Main Registrar is appointed and removed by the Prime Minister upon the request of the Minister of Justice, while the Vice is appointed and removed by the Minister of Justice upon the request of the Main Registrar.

The register of real estate reports all the data of the real estate 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, right to use and any other right connected to or deriving from the real estate that is transferred to any third party, should be recorded in the register. Any contract or other instrument effecting the aforementioned transactions should be filed with the competent Office of Real Estate Registration within 30 days from its execution. Real estate to be registered for the first time shall be subject to the temporary registration.

The competent Office of Real Estate Registration shall publish 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.

Restrictions to Foreigners for Acquisition of Land

Albanian Civil Code provides that real estate may not be subject to any transaction if it is not registered in the register of real estate. Based on the law no. 7980, dated 27.07.1995 “On Acquisition of Plots”, foreigners can acquire a plot in Albania only if the value invested for construction on such plot exceeds three times the value of that plot.

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 EC 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) any transaction where one or more undertakings acquire the control, directly or indirectly, in one or more other undertakings, or part of these undertakings, whether by purchase of shares

or assets, by contract or by any other means; (iii) direct or indirect control over one or more undertakings or parts of such 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 agreement and/or 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 appreciable 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 appreciably restricts the competition in the market or in a part of the market, especially, as a result of creation or strengthening of the dominant position.

The Competition Law recognizes the “silent-is-consent” rule applicable when ACA has not decided on the concentration within the set deadlines.

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. In order to assess the abusive behavior, ACA considers and applies the benchmarking method.

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 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
Tirana International Hotel	Skenderbej Square Tirana, Albania Tel: + 355 4 2234185 Fax: +355 4 2234188 E-mail: hotel@hoteltirana.com.al
Rogner Hotel Europapark	Deshmoret e Kombit Blvd. Tirana, Albania Tel: + 355 4 2235035 / 2235034 Fax: +355 4 2235050 E-mail: info@tirana.rogner.com

Grand Hotel Tirana	Ismail Qemali Str., No. 11 Tirana, Albania Tel: +355 4 2253219 / 2253220 Fax: +355 4 2247996 E-mail: info@grandhoteltirana.com
Diplomat Hotel	Muhamet Gjollësja Str., Tirana, Albania Tel: +355 4 2233151 / 2258468 Fax: +355 4 2230457 E-mail: diplomat@icc-al.org
Mondial Hotel	Muhamet Gjollësja Str., Tirana, Albania Tel: +355 4 2232372 / 2258121 Fax: +355 4 2258122 E-mail: hotelmondial@hotelmondial.com.al
President Hotel	Deshmoret e 4 Shkurtit 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	Deshmoret e 4 Shkurtit Str., , Sky Tower Tirana, Albania Tel: +355 4 2221666 ext. 143
Casa di Pasta	Deshmoret e 4 Shkurtit Str., , Rinia Park Tirana, Albania Tel: +355 4 2251175 / 2251179
Tavernetta	Deshmoret e 4 Shkurtit 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

Emporiki Bank Albania (Credit Agricole Group)

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. Dëshmoret e Kombit, No. 8
Tirana, Albania
Tel: +355 4 2228387
E-mail: UBA@albaniaonline.net

Funding Agencies

Albanian-American Enterprise Fund

Dëshmoret 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

Appendix C

International Organizations, Government Institutions, Embassies

World Bank

Deshmoret e 4 Shkurtit Str., No. 34
Tirana, Albania
Tel: +355 4 2280650 / 2280651
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
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)

Deshmoret e 4 Shkurtit Str., No. 34
Tirana, Albania
Tel: +355 4 2280650 / 2280651

Governmental Institutions

Council of Ministers

Blvd. Dëshmoret e Kombit, No. 1
Tirana, Albania
Tel: +355 4 2250474 / 2228399
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. Dëshmoret 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. Dëshmoret 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. Dëshmoret e Kombit
Tirana, Albania
Tel: +355 4 2226601 / 2226602

Ministry of Education and Science

Durrësi 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

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">2) Fiscal period</td> <td style="width: 50%; text-align: center;">1) Serial Number: _____</td> </tr> </table>	2) Fiscal period	1) Serial Number: _____	
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)			

Profit/Loss Calculation		Accounting	Fiscal	Fiscal
Revenues and Expenses				
(8/9) Revenues	8			9
(10/11) Expenses	10			11
(12) Undeductible expenses				12
Profit/loss				
(13/14) Loss	13			14
(15/16) Profit	15			16
(17) Loss carried forward				17
(18) Net taxable profit (16-17)				18
Profit Tax Calculation				
(19) Profit tax 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
(29) TOTAL PAYABLE AMOUNT				29

Appendix F

Financial Statements Formats

Balance Sheet

As at 31 December 200X

	Note	<i>In thousands of ALL</i>	
		200X	200(X-1)
Assets			
Cash and cash equivalents			
Derivatives and financial assets classified as held for sale			
<i>Derivatives</i>			
<i>Assets classified as held for sale</i>			
Other non-current assets			
<i>Trade receivables</i>			
<i>Other receivables</i>			
<i>Derivatives</i>			
<i>Other investments</i>			
Inventories			
<i>Raw materials</i>			
<i>Work in progress</i>			
<i>Own production</i>			
<i>Goods</i>			
<i>Prepayments for supplies</i>			
Biological assets			
Assets classified as held for sale			
Prepayments and deferred expenses			
Total Current Assets		_____	_____
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			
<i>Land</i>			
<i>Buildings</i>			
<i>Plant and equipment</i>			
<i>Other fixed assets</i>			
Intangible assets			
<i>Goodwill</i>			
<i>Researches and development costs</i>			
<i>Other intangible assets</i>			
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		
Convertible shares		
Trade and other payables		
<i>Trade payables</i>		
<i>Payables toward employees</i>		
<i>Current tax payables</i>		
<i>Other borrowings</i>		
<i>Prepayments</i>		
Grants and deferred income		
Current provisions	_____	_____
Total Current Liabilities	_____	_____
Non-current loans and borrowings		
<i>Loans, securities and financial leasing</i>		
<i>Convertible shares</i>		
Other non-current borrowings		
Provisions		
Grants and deferred income	_____	_____
Total Non-Current Liabilities	_____	_____
Total Liabilities	_____	_____

Equity

Minority interest		
Equity holders of the Company		
Share capital		
Share premium		
Statutory reserves		
Legal reserves		
Other reserves		
Retained earnings		
Current year profit/loss	_____	_____
Total Equity	_____	_____
Total Equity and Liabilities	_____	_____

Income Statement

For the year ended 31 December 200X

	<i>Note</i>	<i>In thousands of ALL</i>	
		200X	200(X-1)
Net sales			
Other income from operating operations			
Changes in inventories of finished goods and work in progress			
Work performed by the entity and capitalised			
Raw material and consumable used			
Other expenses from operating operations			
Employee benefits expense			
<i>Gross salaries</i>			
<i>Social contributions</i>			
<i>Pension contributions</i>			
Impairment and depreciation		_____	_____
Profit/Loss from Operating Activities		_____	_____
Income and expenses from controlled entities			
Income and expense from participations			
Financial income and expenses			
<i>Financial income and expenses from non-current investments</i>			
<i>Interest income and expenses</i>			
<i>Gains/losses from foreign exchange</i>			
<i>Other financial income and expenses</i>		_____	_____
Net financial income and expenses		_____	_____
Net profit (loss) for the period		_____	_____
Attributable to:			
<i>Equity holders of the Company</i>			
<i>Minority shareholders</i>			

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

In thousands of ALL

	Share capital	Premiums	Treasury bonds	Legal and statutory reserves	Retained earnings	Total Equity
Balance at 31 December 200X-2						
Changes in accounting policy						
Restated Balance						
Net profit of the current year						
Dividends paid						
Increase of reserves						
Issuance of shares						
Balance at 31 December 200X-1						
Net profit of the current year						
Dividends paid						
Issuance of shares						
Re-purchased treasury bonds						
Balance at 31 December 200X						

BOGA & ASSOCIATES

LEGAL • TAX • ACCOUNTING

Firm Overview and Services in Albania and Kosovo

Boga & Associates, established in 1994, has emerged as one of the premiere law firms in Albania, earning a reputation for providing the highest quality of legal, tax and accounting services to its clients. Boga & Associates also operates in Kosovo (Pristina) offering a full range of services.

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.

The firm provides services to a broad spectrum of regional and local organizations, including private and public companies, partnerships and government agencies as well as not for profit organizations. With its diverse capabilities and experience, the firm services leading clients in most major industries, banks and financial institutions, companies engaged 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. The firm also has an outstanding litigation practice, representing clients on all levels of Albanian courts. This same know-how and experience has been drawn upon by the Legislature in the drafting of new laws and regulations.

The firm offers its clients all the legal, tax and accounting services required to conduct business in Albania and Kosovo, effectively. Over the years the firm has advised in the areas of privatization of national resources and enterprises, concessions, real estate transactions, setting up businesses, credit facilities and custom and tax issues, all with a keen sensitivity to the rapid changes in the Albanian business environment

Chambers and Partners, an international legal market ranking company recognize Boga & Associates as the leading law firm for the year 2010 in all practice areas of the ranking for Albania, specifically in the field of Corporate/Commercial, Dispute Resolution, Intellectual Property, Projects and Real Estate. IFLR 1000, a financial and corporate law ranking company, ranked Boga & Associates as a Top Tier law firm in Albania; also for the year 2011.

Besides its commitment to clients' needs, Boga & Associates is also devoted to charitable activities and has provided pro bono legal services to the Albanian Children's Foundation, Youth Albanian Parcel Services, American Chamber of Commerce, and the National Olympic Committee, to name but a few.

Legal

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

Tax

- Tax Advice
- Tax Audit Services
- Tax Compliance

Accounting

- Bookkeeping Services
- Accounting Advice
- Forensic Services

