



bogalaw
LEGAL • TAX • ACCOUNTING

INVESTMENT IN ALBANIA

16th Edition

2025





bogalaw
LEGAL • TAX • ACCOUNTING

INVESTMENT IN ALBANIA

16th Edition

2025

The information contained in Investment in Albania is general in nature and not intended to address the circumstances of any specific individual or entity. While we strive to provide accurate and timely information, we cannot guarantee that the information is accurate as of the date it is received or that it will remain accurate in the future. No one should act on this information without seeking appropriate professional advice after a thorough assessment of their particular situation.

Albania

Green Park Buildings
Ibrahim Rugova Str. 40/3
1019 Tirana, Albania
PO Box 8264, Tirana
Tel: +355 4 2251 050

Kosovo

Dukagjini Center
Xhevdet Doda Str. 21
Entry B/4, Suites B1, B2
10000 Pristina, Kosovo
Tel: +383 38 725025

boga@bogalaw.com | www.bogalaw.com



Dear Reader,

We are pleased to present the 2025 edition of “Investment in Albania.”

This handbook serves as a comprehensive guide to the Albanian legal and tax system, offering an overview of the key aspects of investing and doing business in Albania. It covers a broad range of areas, including business law, labor law, tax law, and other relevant fields of practice.

The information provided is of a general nature and is intended solely as an introduction to Albania’s investment climate and its legal and tax framework. It should not be relied upon as the basis for investment decisions and does not substitute for tailored legal or tax advice. Unless otherwise indicated, the information reflects the situation as of August 2025.

Should you require further details on any of the topics addressed in this handbook, our team of professionals will be glad to provide assistance.

We trust you will find this handbook a valuable resource in exploring and conducting business in Albania.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Genc Boga', with a large, stylized flourish extending to the right.

Genc Boga
Managing Partner
Boga & Associates

TABLE OF CONTENTS

Chapter 1	General Information	
	Key Facts at a Glance	11
	Geography and Climate	12
	Population and Language	13
	Currency	13
	Government and Political System	14
	A Brief History of Albania	15
	Visa System for Foreign Travelers	17
	Employment and Residence of Foreign Employees	20
	Residence Permits for Other Foreigners	22
	Accommodation	25
	Working Hours	25
	Transportation	25
	Telecommunications	26
Chapter 2	Economic Overview	
	Basic Macroeconomic Indicators	27
	Financial Sector	33
Chapter 3	Business Sector Opportunities for Investment	
	Opportunities and Incentives for Foreign Investors	41
	Sovereign Credit Rating	44

Chapter 4 | **Business Law**

Types of Business Entities	45
Registration with the National Business Center	
Ultimate Beneficial Ownership	49
Licensing of Business Activities	
Public Procurement	50
Accounting Regulations	52
Financial Statement and Certification Requirements	
Other Non-Financial Reporting Obligations	55
Audit Requirements	56

Chapter 5 | **Taxation of Businesses**

General Overview	57
Tax Residence	58
Corporate Income Tax	58
Withholding Taxes	63
Indirect Taxes	66
Local Taxes	71

Chapter 6 | **Taxation of Individuals**

General Overview	75
Tax Residence	75
Taxable Income	75
Tax - Exempt Income	76
Personal Income Tax Rates	76
Personal Income Tax Declaration	77
Social and Health Insurance Contributions	78

Chapter 7	Labor Law	
	General Provisions	79
	Working Conditions	81
	Employment Contracts	82
	Holidays/Paid Leave (Annual or Other Leave)	87
Chapter 8	Acquisition and Registration of Immovable Property	
	Registration of Immovable Property in Albania	89
Chapter 9	Government Controls	
	Competition Law 91	
	Agreements Restricting Competition	91
	Merger Control (Concentration)	92
	Abuse of Dominant Position	93

GENERAL INFORMATION

Key Facts at a Glance

Location:

Southeast Europe

Area:

28,748 sq. km

Capital:

Tirana (estimated population ~ 758,513)¹

Population²:

2,761,785 (as of year 2023)

Average Age:

38.2 years

Official Language:

Albanian

Climate:

Mediterranean & Continental

Average Temperature:

6.8 °C – 23.9 °C

Annual FDI Inflows³ (2023):

USD 1.61 billion

1 <https://www.instat.gov.al/cens-2023/aktivitete/aktivitetet-censi-i-popullsis%C3%AB-dhe-banesave-2023/konferenca-p%C3%ABr-rezultatet-e-censit-t%C3%AB-popullsis%C3%AB-dhe-banesave-2023/>

2 Source: Institute of Statistics (INSTAT).

3 Source: <https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=AL>

INFORMATION SPACE

Albania's Key Partners in Economic Development:

- » **World Trade Organization (WTO)** – 2000
- » **World Intellectual Property Organization (WIPO)** – 1992
- » **EU Stabilization and Association Agreement (SAA)** – 2009
- » **North Atlantic Treaty Organization (NATO)** – 2009
- » **Free Trade Agreements:** CEFTA (2007, in force 2009), EFTA (2009)
- » **Albania submitted application for EU membership** – 2009
- » **EU Candidate Status granted to Albania** – June 2014

Main International Organizations in Albania (since early 1990s)

- » **United Nations Development Programme (UNDP)** – presence since 1991
- » **Other UN Agencies:** UNICEF, UNHCR, WHO, UN Women – active since 1990s
- » **Organization for Security and Co-operation in Europe (OSCE)** – permanent presence since 1997
- » **European Union (EU) Delegation to Albania** – operating since 1991, expanded with SAA (2009) and candidate status (2014)
- » **Council of Europe (CoE)** – Albania became a member in 1995

Main International Financial Institutions in Albania (since early 1990s)

- » **International Monetary Fund (IMF)** – member since 1991
- » **World Bank Group** – active since 1991
 - **International Finance Corporation (IFC)** – supporting private sector development
- » **European Bank for Reconstruction and Development (EBRD)** – operations started in 1991
- » **Islamic Development Bank (IsDB)** – financing projects since 1992
- » **European Investment Bank (EIB)** – infrastructure financing since the 1990s
- » **Council of Europe Development Bank (CEB)** – supporting social and development projects since mid-1990s

GEOGRAPHY AND CLIMATE

Albania is located in Southeast Europe, on the western part of the Balkan Peninsula, covering an area of 28,748 sq. km. It borders Montenegro and Kosovo to the north and northeast, North Macedonia to the east, and Greece to the south. Strategically positioned in the Balkans, Albania has access to the Adriatic and Ionian Seas in the west.

The country is predominantly mountainous, with an average altitude of 708 meters—about twice the European average. Albania features diverse landscapes, archaeological sites, historic castles, and numerous tourist attractions. The climate is a mix of Mediterranean and continental, with hot, dry summers and cool, rainy winters. Albania is in the Central European Time Zone (GMT+1) and observes daylight saving time from the last Sunday in March to the last Sunday in October (GMT+2).

POPULATION AND LANGUAGE

Resident Population

According to the Albanian Institute of Statistics⁴, the population of Albania on 1 January 2023 was 2,761,785, marking a 1.1% decrease compared to 2022. The sex ratio in 2023 is 98 males per 100 females.

Regional Population Distribution

The 2023⁵ Population and Housing Census shows that approximately one-third of Albania's population (31.6%) resides in the Tirana prefecture. Fier accounts for the second-largest share at 10.0%, followed by Elbasan with 9.7%. The smallest populations are in Kukës (2.6%) and Gjirokastër (2.5%).

Language

The official language is Albanian, part of the Indo-European language family. Census data indicate that 91% of the population speaks Albanian, 2.8% speak other languages (including Greek, Macedonian, Roma, Aromanian, Serbo-Croatian, etc.), and 0.6% are unspecified. Data for 5.6% of the population are unavailable.

Italian and English are the most widely spoken foreign languages⁶.

4 Source: www.instat.gov.al

5 Source: <https://www.instat.gov.al/en/census-2023/>

6 Source: Institute of Statistics (INSTAT).

CURRENCY

Albania's official currency is the lek (ALL). The Bank of Albania (BoA) is responsible for formulating and implementing monetary policy. According to the BoA's Monetary Policy Document 2025, the primary goal is to achieve and maintain price stability, targeting an annual inflation rate of 3.0% in the medium term⁷.

In the second quarter of 2025, Albania's economy is projected to have expanded by about 3.2% year-on-year, driven by continued strength in consumption, infrastructure investment, and a buoyant tourism sector⁸. As for the foreign exchange markets, the lek has remained stable and continues to gradually appreciate. As of July 2025, exchange rates stood at approximately 1 USD = 84.28 ALL and 1 EUR = 97.54 ALL, reflecting continued appreciation of the lek.

GOVERNMENT AND POLITICAL SYSTEM

Albania is a parliamentary republic founded on the principle of separation and balance among the legislative, executive, and judicial powers. The Parliament (known as the Assembly of Albania) consists of 140 members, elected every four years through general elections.

According to the Constitution, the Assembly elects the President of the Republic for a five-year term. The President appoints the Prime Minister, who serves as head of the Council of Ministers, the highest executive authority in Albania. Ministers are nominated by presidential decree based on the Prime Minister's proposal, and the composition of the Government is subject to parliamentary approval.

Administratively, the country is divided into 12 counties. The Council of Ministers appoints prefects as its representatives in these regions. Local elections, held every four years, determine the composition of municipal councils, while city mayors are directly elected by public vote.

On 31 July 2014, the Albanian Parliament adopted Law No. 115/2014 "On the Administrative and Territorial Division of Local Government Units in the Republic of Albania". This reform reduced the number of municipalities from 384 to 61, which were officially constituted following the local elections of June 2015.

A BRIEF HISTORY OF ALBANIA

Albanians are among the most ancient populations of the region. Historical evidence suggests they are descendants of the Illyrians, who settled in the Balkan

7 Source: Bank of Albania, Monetary Policy Document, 2025

8 Source: The World Bank

Peninsula at the end of the Neolithic period and the beginning of the Bronze Age. The country's name, Albania, derives from the Illyrian tribe Albanoi. In Albanian, the country is called Shqipëri, meaning "the land of eagles."

At the end of the 14th and beginning of the 15th centuries, the Ottoman Empire expanded into the Balkans, making Albania a battleground. Between 1443 and 1468, Gjergj Kastrioti Scanderbeg—today honored as Albania's national hero—united the Albanian provinces and led a successful revolt that kept the Ottomans out of Albania for 25 years. After his death, the Ottomans established control over Albania for nearly five centuries.

Albania declared independence in 1912, and its present borders were determined by the London Conference of Ambassadors in 1913. In 1928, Ahmet Zogu proclaimed Albania a kingdom, taking the title "Zog I, King of the Albanians." He fled in April 1939 following Italy's invasion. After Italy's surrender in World War II, German forces occupied Albania until the end of 1944.

The Albanian Communist Party—later renamed the Party of Labour of Albania (PLA) and led by Enver Hoxha—took power after the German retreat. For the next 45 years, Albania endured a totalitarian regime. Farms and small industries were nationalized, and the entire economy was centrally planned and managed through state enterprises. Albania eventually broke ties with both the Soviet Union (early 1960s) and China (late 1970s), becoming one of the most isolated countries in the world. Economic inefficiency, mismanagement, and systematic violations of human rights severely hindered the country's development.

With the fall of the Berlin Wall in 1989 and the wave of political change across Eastern Europe, Albania began its transition in the early 1990s toward a democratic society and a market-based economy.

INFORMATION SPACE

EU Candidate Status for Albania

Albania submitted its application for EU membership in April 2009. On 24 June 2014, at the General Affairs Council meeting in Luxembourg, the Council of the European Union—acting on the recommendation of the European Commission—granted Albania candidate status. This recognition reflected Albania’s reform efforts and progress on its path toward EU accession.

In November 2016, the European Commission recommended opening accession negotiations, citing progress in implementing Justice Reform, particularly the re-evaluation of judges and prosecutors (the “Vetting” process). In April 2018, the Commission issued an unconditional recommendation to begin negotiations. The Council in June 2018 outlined the conditions for launching negotiations in 2019, focusing on reforms in the judiciary, the fight against corruption and organized crime, intelligence services, and public administration.

On 18 June 2019, the European Council postponed the decision on opening negotiations, setting a new deadline of October 2019. At the European Council meeting on 17–18 October 2019, it was agreed to revisit the issue of enlargement ahead of the EU–Western Balkans Summit in Zagreb in May 2020.

On 24 March 2020, EU ministers for European affairs reached political agreement on opening accession negotiations with Albania, which was endorsed by the European Council on 25–26 March 2020. In July 2020, the draft negotiating framework was presented to the Member States.

In July 2022, the Intergovernmental Conference formally opened accession negotiations with Albania.

By March 2023, twelve EU–Albania Stabilization and Association Council meetings had been held, the most recent on 16 March 2023 in Tirana, where political, economic, and legal criteria for accession were discussed, along with progress under the Stabilization and Association Agreement.

At the two subsequent accession conferences, Albania advanced to negotiations on:

Cluster 1 (Fundamentals): opened on 15 October 2024

Cluster 6 (External Relations): opened on 17 December 2024

On 14 April 2025, the fourth Accession Conference opened negotiations on Cluster 2 (Internal Market), during which the EU also established benchmarks for the provisional closure of individual chapters within this cluster.

On 22 May 2025, the fifth Accession Conference in Brussels marked further progress with the opening of negotiations on Cluster 3 (Competitiveness and Inclusive Growth). This step demonstrates Albania's continued alignment with the *acquis communautaire* and its advancement toward EU membership.

Source: European Commission; European Council

VISA SYSTEM FOR FOREIGNERS TRAVELING TO ALBANIA

Albania is relatively easy to access. Before traveling, foreigners are advised to contact the diplomatic or consular representation of the Republic of Albania in their home country to verify the latest entry requirements. Foreign citizens may enter the Republic of Albania with a valid passport and an entry visa issued by Albanian diplomatic or consular missions abroad. Passports must be valid for at least three months beyond the visa's expiry date.

Exempt from the obligation to obtain an Albanian visa (for stays of up to 90 days within a 180-day period) are:

- » EU citizens
- » Citizens from Schengen area countries and citizens of the countries listed in Tables 1 and 2 below.
- » Citizens of countries that may enter Schengen states without a visa.
- » Holders of a valid multiple-entry visa or residence permit issued by a Schengen area country.
- » Holders of a valid multiple-entry visa or residence permit issued by the United States of America, the United Kingdom of Great Britain and Northern Ireland, provided that these visas have been previously used in those countries.

VISAS

Visa types are as follows:

- » **Type A** (Airport Transit Visa): Allows the holder to remain in the international transit area of the airport until departure of their connecting flight to the final destination. This visa may be issued with multiple entry-exits and validity of up to six months, if the applicant demonstrates a need for frequent or regular transit and is liable or has correctly used previous visas and that the financial situation of the applicant guarantees traveling to the place of destination.
- » **Type C** (Short-Term Visa): Allows the holder to remain in Albania for up to 90 days within a 180-day period.
- » **Type D** (Long-Term Visa): Valid for one year, this visa allows the holder to stay in Albania for more than 90 days within a 180-day period and to apply for a residence permit or a unique permit.

Foreigners who may enter Albania without a visa are permitted to stay for up to 90 days within a 180-day period.

Holders of ID Cards

EU citizens and citizens of the countries listed in Table 1 may enter Albania without a visa by presenting a valid ID card at the border crossing point. Foreign citizens must demonstrate sufficient funds to support themselves during their stay in Albania.

TABLE 1

Australia	Canada	North Macedonia
Kosovo	Hong Kong, China*	Iceland
Kazakhstan*	New Zealand	Liechtenstein
Monaco	Montenegro	Singapore
Norway	San Marino	South Korea
Bosnia-Herzegovina	Switzerland	USA
Vatican	United Kingdom of Great Britain and Northern Ireland	Serbia
Austria	Belgium	Bulgaria
Denmark	Latvia	Finland
France	Germany	Greece
Netherlands	Hungary	Ireland
Italy	Canada	Croatia
Estonia	Malta	Luxembourg
Lithuania	Poland	Portugal
Cyprus	Czech Republic	Romania
Sweden	Slovakia	Slovenia
Spain		

**Citizens of countries marked with (*) must obtain a long-term Type "D" visa in order to obtain a residence permit in Albania.*

Holders of Ordinary Passports

Foreign citizens holding ordinary passports may enter Albania without a visa if they are:

- » Citizens of EU or Schengen area countries,
- » Citizens of the countries listed in Table 1 above, or
- » Citizens of the countries listed in Table 2 below.

They must present a valid passport at the border crossing point and may stay in Albania for up to 90 days within a 180-day period. Foreign citizens are also required to have sufficient funds to support themselves during their stay in the Republic of Albania.

TABLE 2

Andorra	Antigua and Barbuda*	Argentina
Armenia*	Azerbaijan*	Bahamas*
Barbados*	Belarus	Brazil
Brunei*	Chile	China*
Costa Rica*	Colombia*	Georgia*
Guatemala*	Kuwait*	Honduras*
Israel	Japan	Macau*
Malaysia	Mauritius*	Mexico*
Moldova*	Nicaragua*	Panama*
Paraguay*	Peru*	Salvador*
Seychelles*	St. Kitts and Nevis*	Taiwan*
Turkey*	United Arab Emirates*	Uruguay*
Venezuela*	Ukraine*	Trinidad and Tobago*

**Citizens of countries marked with (*) must obtain a long-term Type "D" visa in order to apply for a residence permit in Albania.*

TABLE 3

Algeria	Cuba	Ecuador
Egypt	India	Indonesia
Jordan	Mongolia	Morocco
Oman	Qatar	Russia
Saudi Arabia	South Africa	Thailand
Tunisia	Vietnam	

Holders of Diplomatic and Service Passports

Foreign citizens holding diplomatic, service, or special passports from:

- » Countries listed in Table 1 and Table 2,
- » Countries with which Albania has a bilateral agreement, and
- » Countries listed in Table 3,

may enter the Republic of Albania without a visa. Such citizens are permitted to stay in Albania for up to 90 days within a 180-day period.

EMPLOYMENT OF FOREIGNERS

Unique Permit

Foreign citizens may work and reside in the Republic of Albania by obtaining a unique permit, issued by the border and migration authorities. The unique permit allows foreign citizens to legally reside in Albania for employment purposes (employed persons, self-employed persons, seasonal workers, intra-corporate transferees, highly qualified workers, cross-border workers, volunteers, athletes, vocational training, service providers, domestic workers).

The application for the unique permit is submitted online. The approval process consists of two steps:

1. Approval from the National Employment and Skills Agency regarding the foreigner's employment, and
2. Approval from the relevant regional border and migration authority, which issues or refuses the unique permit.

Exemptions from National Employment and Skills Agency Approval

The following categories of foreign citizens are exempt from obtaining approval from the National Employment and Skills Agency:

1. the foreigner, family member of a foreign citizen with legal residence in the Republic of Albania;
2. students;
3. the foreigner who, according to specific provisions of the law, is exempt from the obligation to obtain approval to work (this includes citizens of the United States of America and their family members, citizens from EU and Schengen area countries and their family members; citizens of the Western Balkan countries: Bosnia and Herzegovina, Montenegro, Kosovo, Serbia, and North Macedonia);
4. *au pairs*;
5. the foreigner with the status of possible traffic victim or traffic victim;
6. refugees;

7. the foreigner under temporary protection; and
8. the foreigner with complementary protection status.

There is no requirement for the obligation of approval for employment by the National Employment and Skills Agency for:

1. foreigners staying up to *one month* within any one year in the following cases:
 - » Negotiating an agreement or supervising a trade fair/exhibition stand,
 - » Business visitors,
 - » Crew members of ships or aircraft,
 - » Lecturers, researchers, or foreign specialists arriving under agreements between governments, educational institutions, or private sector parties,
 - » Trainers participating in cooperation programs between governmental or educational institutions,
 - » Employees of humanitarian organizations active in Albania under international cooperation programs.
2. foreigners being ship crew members, for staying up to two months within any one-year period in the following.
3. foreigners employed in various sectors for the purpose of managing and recovering from natural disasters.

The job vacancy must be published on the employment services portal by the employer for no less than five calendar days (except for renewals).

Employer's Obligations

To obtain approval, the employer must:

- » announce the job vacancy online within 90 days before submitting the request for approval.

Validity of Unique Permits

Unique permits may be issued for the following durations:

1. Three months, six months, or one year (the latter may be renewed up to five consecutive times),
2. Two years (renewable only once),
3. Five years (if certain conditions are met),
4. Permanent, if the foreigner has legally resided in Albania for five consecutive years and has a stable relationship or activity in Albania.

RESIDENCE OF OTHER FOREIGNERS

The Albanian migration authorities may issue the following types of residence permits to foreigners staying in Albania for purposes other than employment:

Type A: Non-renewable residence permit, allowing the holder to stay in Albania for the duration of its validity.

Type B: Renewable residence permit, allowing the holder to stay in Albania for the duration of its validity.

Type C: Permanent residence permit.

Blue Card AL: Renewable residence permit issued to highly qualified workers.

Blue Card AL-C: Permanent residence permit issued to highly qualified workers.

Applications for a residence permit must be submitted no later than 30 days after entering Albanian territory.

Applications for renewal must be submitted no later than 60 days before the expiry of the existing permit.

ACCOMMODATION

Tirana offers the best accommodation options in Albania. Most major hotels and well-known restaurants accept credit cards; however, Albania remains predominantly a cash-based society, and most payments in shops and restaurants are made in cash.

Foreign citizens planning a longer stay can rent houses or apartments. The monthly rental cost for a 70 sq. meter apartment in the center of Tirana is approximately EUR 700. Several real estate agencies operate in Tirana, although the market is still underdeveloped.

Tirana has numerous restaurants, typically offering Italian cuisine alongside traditional Albanian specialties.

WORKING HOURS

Public administration offices operate for eight hours and thirty minutes from Monday to Thursday, and six hours on Friday. Mandatory presence is required from 09:30 to 15:30 Monday through Thursday, and from 09:30 to 13:00 on Friday, with flexible schedules for the remaining hours.

Banks are open from 08:30 to 15:30, while most shops operate daily from 09:00 to 20:00.

TRANSPORTATION

Tirana International Airport (TIA) remains the main international gateway to Albania. Named after Mother Teresa, it is located just a short 20-minute drive from the city center, with taxis readily available for approximately EUR 15 one-way.

Kukës International Airport Zayed served as a secondary option and was recognized for its low-cost model, supported by UAE investment. Despite being fully built and equipped, as of mid-2025, the airport still does not host any regular scheduled flights.

Vlora International Airport, Albania's third international airport, marked a significant milestone with its first certification flight in May 2025—a key step toward full operational readiness. Located near Akërni, about 10 km north of Vlorë, this airport is expected to launch limited charter operations in summer 2025, with full commercial activity planned for later in the year.

TELECOMMUNICATION

Mobile services are provided by two operators, One Albania and Vodafone Albania, covering almost the entire country.

ECONOMIC SITUATION OVERVIEW

BASIC MACROECONOMIC INDICATORS

Recent Economic Developments

Albania continues to press forward with significant structural reforms designed to foster equitable growth, enhance productivity and competitiveness, generate employment, and improve governance and public service delivery. Enhanced regional connectivity and broader access to both regional and global markets, alongside efforts to diversify exports and trade partners, are projected to further accelerate economic momentum.

In the first half of 2025, economic activity remained solid. GDP expanded by 3.4% in Q1, with indirect indicators suggesting a similar growth pace in Q2⁹. Growth remained supported by consumption, investment, and tourism exports—especially construction and service sectors—while agriculture and industry showed contraction, reflecting structural and seasonal patterns.¹⁰

Driving this growth were favorable financing conditions, strong private-sector confidence, and robust tourism earnings, all supported by prudent and sustained monetary policy interventions¹¹. In Q2, credit to the private sector grew by 15.4% year-on-year, reinforcing investment and consumption across businesses and households.

9 Bank of Albania: Statement to the Press Conference on the Monetary Policy Decision, August 6, 2025

10 Bank of Albania: Statement to the Press Conference on the Monetary Policy Decision, August 6, 2025

11 Bank of Albania: Quarterly Monetary Policy Report, 2025/II

Inflation showed modest increases but remained well below the target. Average inflation in Q2 2025 stood at approximately 2.3%, slightly higher than Q1, reflecting stronger food and rent price pressures and a mild uptick in core inflation (from 2.4% to 2.6%)¹². According to the European Commission, average annual inflation for 2025 is projected at 2.2%, gradually returning to the 3.0% medium-term target.

According to the World Bank’s latest outlook, real GDP growth is expected to moderate to around 3.2% in 2025, down from 3.9% in 2024¹³. The IMF projects 2025 growth at 3.8% and average annual inflation at 2.4%¹⁴.

Going forward, Albania’s economic prospects remain positive, underpinned by expanding consumption, investment, and tourism. Inflation is expected to revert to the 3.0% target during 2025 and into the medium term, supported by balanced demand-supply dynamics, a stable exchange rate, and anchored expectations.

Sources: Bank of Albania monetary policy and economic forecast (Q1–Q2 2025); World Bank economic projections, 2025;

European Commission 2025 economic forecast; IMF data on GDP and inflation projections

TABLE 4. GROWTH RATE, 2022-26, PERCENTAGE¹⁵

	2022	2023	2024	2025f	2026f
Albania	4.9	3.4	3.3	3.2	3.5
Bosnia and Herzegovina	4.2	1.7	2.8	3.2	3.9
Kosovo	4.3	3.3	3.8	3.9	4.0
Montenegro	6.4	6.3	3.4	3.0	3.2
North Macedonia	2.2	1.0	1.8	2.5	3.0
Serbia	2.5	2.5	3.8	4.2	4.0

Regional Growth Outlook

The World Bank projects that the combined real GDP growth of the six Western Balkan economies—Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia, and Serbia—will moderate to approximately 3.2% in 2025, before rebounding to 3.5% in 2026¹⁶.

12 Bank of Albania: Statement to the Press Conference on the Monetary Policy Decision, August 6, 2025

13 World Bank: Country Fact Sheet: Albania, Spring 2025

14 International Monetary Fund: Albania At A Glance, 2025

15 World Bank: [worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report](https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report)

16 World Bank: Growth in the Western Balkans Holds Firm Amid Global Uncertainty, April 2025.

Macroeconomic Indicators

The financial stability map continues to reflect a contained and declining level of macroeconomic risks. Compared to the previous year, vulnerabilities related to the domestic economy, the government sector, and the external environment have moderated. At the same time, the risk levels for households and enterprises remain largely unchanged.

Within the banking sector, overall risks have declined; however, liquidity and funding risks have registered a slight uptick, pointing to emerging pressures that warrant close monitoring.

TABLE 5 - ALBANIA / MACRO POVERTY OUTLOOK INDICATORS

(annual percent change unless otherwise indicated)¹⁷

Macroeconomic indicators

	2022	2023	2024e	2025f	2026f	2027f
Real GDP growth, at constant market prices	4.8	3.9	3.9	3.2	3.1	3.1

Private Consumption	6.1	3.2	4.2	3.4	3.2	3.3
Government Consumption	2.3	4.9	6.8	0.7	0.9	0.6
Gross Fixed Capital Investment	1.6	1.0	6.1	7.0	5.3	5.2
Exports, Goods and Services	17.0	9.5	0.6	3.5	3.5	3.7
Imports, Goods and Services	11.5	0.2	3.8	5.5	4.5	4.5

Real GDP growth, at constant factor prices	5.1	4.9	3.9	3.2	3.0	3.0
---	-----	-----	-----	-----	-----	-----

Agriculture	-4.8	-1.8	0.2	0.3	0.3	0.3
Industry	4.3	-2.4	1.8	2.9	3.2	3.6
Services	8.2	7.9	5.2	3.9	3.5	3.5

Inflation (Consumer Price Index)	6.7	4.8	2.2	3.0	3.0	3.0
---	-----	-----	-----	-----	-----	-----

Current Account Balance (% of GDP)	-5.9	-1.2	-2.4	-3.7	-4.0	-4.1
---	------	------	------	------	------	------

Net Foreign Direct Investment Inflow (% of GDP)	6.6	5.8	5.0	5.6	5.9	6.2
--	-----	-----	-----	-----	-----	-----

Fiscal Balance (% of GDP)	-3.6	-1.3	-0.8	-2.1	-1.6	-1.9
----------------------------------	------	------	------	------	------	------

Debt (% of GDP)	64.1	57.5	54.2	53.7	52.7	51.9
------------------------	------	------	------	------	------	------

¹⁷ World Bank: The outlook reflects information available as of April 10, 2025.

Primary Balance (% of GDP)	-18	0.7	1.3	0.2	0.6	0.3
International poverty rate (\$2.15 in 2017 PPP)	1.5	1.2	1.0	0.8	0.7	0.6
Lower middle-income poverty rate (\$3.65 in 2017 PPP)	4.8	3.8	3.3	2.8	2.5	2.2
Upper middle-income poverty rate (\$6.85 in 2017 PPP)	21.7	19.0	17.3	16.0	14.9	13.8
GHG emissions growth (mtCO₂e)	-5.3	-4.4	-2.3	-2.1	-2.0	-0.7

Fiscal Indicators

In 2024, fiscal policy remained on a consolidation path, contributing to an overall improvement in Albania's fiscal position. The primary surplus (primary balance) exceeded expectations at approximately 0.5% of GDP, marginally above the budget target of 0.3%¹⁸.

Looking ahead, the 2025 budget aims for a zero primary balance, aligning with the fiscal rule mandating a non-negative balance in annual budgets.

Public debt is expected to decline from around 56% of GDP at end-2024 to approximately 50% by 2029, indicating a sustainable debt path over the medium term.

According to the World Bank, the primary fiscal balance is projected to remain positive, averaging around 0.4% of GDP from 2025 through 2027. Public debt is expected to continue its downward trend, averaging 52.8% of GDP over this period.

The Medium-Term Fiscal Framework for 2025–2027, adopted by the Council of Ministers, sets the strategic direction for overall fiscal balance, borrowing, public debt, primary balance, and current account. It forms the foundation for expenditure ceilings in the preparation of the Medium-Term Budget Program (MTBP) 2025–2027 at the ministerial level¹⁹.

Monetary Indicators

Stable economic growth, ongoing labor market improvements, and rising wages continue to put upward pressure on inflation. In response, the Bank of Albania has implemented an accommodative monetary policy stance throughout 2025. Following a series of rate cuts, the policy (repo) rate was lowered from 2.75% to 2.50% in July 2025 and has remained unchanged since²⁰.

This accommodative stance has quickly passed through to the financial markets. Interbank rates—such as overnight and one-week repo rates—remain aligned with policy signals, supported by contained risk premiums.

18 IMF: IMF Executive Board Concludes 2024 Article IV Consultation with Albania. January 2025.

19 World Bank: 2025 Overview

20 Bank of Albania: Latest monetary policy decision and calendar 2025

In the credit markets, lending conditions remain favorable, especially for businesses. In mid-2025, lek-denominated business loans were priced at an average of 6.7%, slightly higher than earlier in the year, with small loans remaining particularly attractive, while large enterprise loans became more costly. For households, mortgage loans in lek reached a record low of 3.8%, making them the most cost-effective and secure option given exchange rate risk. Meanwhile, mortgage loans in euros rose to 5.1%.

On the deposit side, returns remain subdued. Lek deposits yield around 1.7%, a decline compared to the previous year and insufficient to offset inflation. Euro deposits remain stable at approximately 1.2%, but the small interest rate differential signals limited real returns for savers.

Relations with the World Bank Group

The World Bank (WB) supports regulators and the accounting profession in introducing financial reporting practices aligned with international standards, thereby promoting integration both within the region and with the European market. The World Bank is also supporting the implementation of the Joint Action Plan for Trade and Transport Facilitation, with a particular focus on building institutions that enhance regional connectivity.

Financial Sector

The Bank of Albania (BoA) plays a key role in the national statistical system as the institution responsible for producing and publishing data on the financial and external sectors. External sector statistics include indicators on:

- » Balance of payments
- » International reserves and foreign currency liquidity
- » Merchandise imports and exports
- » International investment position
- » Exchange rates
- » External debt

Banking System

The Banking Law, approved in December 2006 (as amended), formalized a two-tiered banking system. Private banks are required to maintain a minimum capital of ALL 1 billion and must be incorporated as joint stock companies. Commercial banks and other financial institutions are permitted to provide a broad range of services, subject to the supervision of the BoA.

Central Bank

The Bank of Albania operates as an independent legal entity accountable directly to the Albanian Parliament. Its principal objective is to achieve and maintain price stability.

The BoA has the exclusive authority and responsibility to:

- » Formulate and implement monetary and foreign exchange policies
- » Act as the sole issuer of domestic currency in Albania
- » License, supervise, and regulate banks and other financial institutions
- » Provide credit to banks
- » Oversee the national payment system and facilitate efficient inter-bank payments and settlements
- » Hold and manage Albania's official foreign reserves
- » Distribute and issue securities for the state account

All second-tier banks operating in Albania are required to report to the BoA.

Banking Industry Composition

According to the Bank of Albania, the financial system comprises approximately 11 commercial banks along with a range of other financial institutions. This reflects consolidation from earlier years and continues to represent a streamlined banking sector.

- » 11 banks
- » 24 non-bank financial institutions (NBFIs)
- » 645 foreign exchange bureaus
- » 16 savings and loans associations
- » 1 union of savings and loans associations

List of licensed banks:

TABLE 6

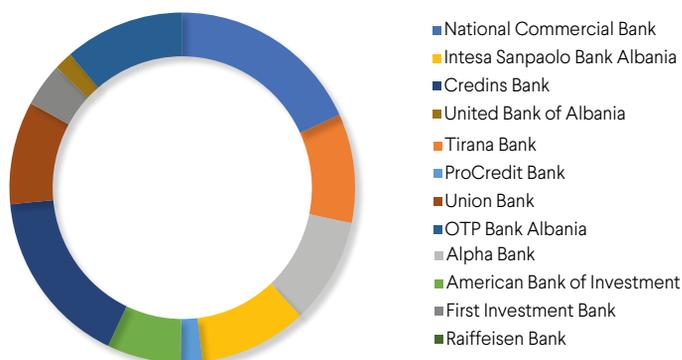
No.	Banks	Number of domestic branches ²¹
1	American Bank of Investment	29
2	Credins Bank	52
3	First Investment Bank, Albania	14
4	Intesa Sanpaolo Bank Albania	35
5	National Commercial Bank	63
6	OTP Bank Albania	30

21 Bank of Albania: 2025

7	Procredit Bank	8
8	Raiffeisen Bank	74
9	Tirana Bank	35
10	Union Bank	34
11	United Bank of Albania	6

Graph No. 1 below shows the number of domestic branches of the Banks in Albania.

GRAPH NO 1



Insurance Industry

The Albanian insurance market continues to expand, driven by growth in both life and non-life segments. In the first half of 2025, gross written premiums (GWP) totaled approximately ALL 12.8 billion, reflecting a year-on-year increase of around 8% compared to the same period in 2024²².

Non-life insurance remains dominant, accounting for 90.98% of total premiums, while life insurance held a modest 8.99% share.

When broken down by insurance type, voluntary insurance comprised 41.29% of the market, with compulsory insurance taking the larger portion at 58.71%.

Regarding claims, total paid claims in the first half of 2025 decreased slightly by 0.73% year-on-year, reaching approximately ALL 4 billion. In contrast, motor insurance claims increased by 6.48%, totaling ALL 2.64 billion, underscoring the continued prevalence of auto-related products.

22 AMF: Insurance Market Developments in Albania for January–June 2025

Key Trends:

- » GWP Growth (H1 2025 vs. H1 2024): +8%
- » Non-Life Share: ~91%
- » Life Insurance Share: ~9%
- » Voluntary vs. Compulsory: 41% voluntary / 59% compulsory
- » Total Claims Paid (H1 2025): ALL 4 billion (↓0.73%)
- » Motor Insurance Claims: ALL 2.64 billion (↑6.5%)

Market Structure

- » Non-life insurance accounted for 90.98% of total gross written premiums.
- » Life insurance accounted for 8.99% of the market.

By type of insurance:

- » Compulsory insurance represented 58.71% of gross written premiums.
- » Voluntary insurance represented 41.29%.

Albania also maintains active trade with other regional partners and non-European countries. Import partnerships remain consolidated with China and Turkey underscoring their importance in Albania's external trade structure²³.

Foreign Trade

According to INSTAT, over the first seven months of 2025, Albania's total exports of goods reached ALL 239 billion, representing a 2.6% year-on-year increase, while imports amounted to ALL 515 billion, marking a 2.1% decline compared to the same period in 2024. As a result, the trade deficit narrowed by 5.8%, to ALL 276 billion²⁴.

In July 2025, exports were valued at ALL 35 billion, up 5.7% year-on-year, though slightly down compared to June. Imports stood at ALL 83 billion, a 2.4% year-on-year decrease but up 9.1% month-on-month.

The monthly trade deficit for July was ALL 48 billion, down 7.5% from July 2024 but 17.3% higher than in June 2025.

Looking back to June 2025, exports reached ALL 35 billion (up 1.9% y/y), while imports were ALL 77 billion (down 0.2% y/y). The trade deficit for that month stood at ALL 41 billion, marking a 2.0% decrease compared to June 2024.

23

24 INSTAT: Foreign Trade in Goods, 2025

Albania continues to maintain a dynamic profile in international trade, engaging actively with both regional partners and non-European markets. On the import side, consolidated trade partnerships remain strong with China, Turkey, and Greece, which together account for a significant share of Albania's external trade flows. These partners provide essential inputs ranging from machinery and equipment to consumer goods, underscoring their enduring importance in the structure of Albania's imports.

BUSINESS SECTOR OPPORTUNITIES FOR INVESTMENTS

OPPORTUNITIES AND INCENTIVES FOR FOREIGN INVESTORS

Albania offers a wide range of investment opportunities for foreign entities and individuals, supported by its abundant natural resources, including oil, gas, coal, iron, copper, chrome, water, and significant hydroelectric potential. Mining and energy remain among the most profitable and export-oriented industries, with Albania standing out as the only European country with substantial chrome reserves, having once been the world's third-largest producer of chrome ore before 1990. Significant opportunities exist in this sector through capital investment and modernization of production technologies. In addition, renewable and alternative energy sources such as wind, solar, and hydropower present strong growth prospects, with Albania's geographic and climatic conditions offering a favorable environment for long-term sustainable energy projects.

Infrastructure development also represents a major area of focus, as the government prioritizes the modernization of transport, logistics, and energy networks with support from foreign investors and international financial institutions. Agriculture and food processing provide further potential, with opportunities in large-scale farms, fisheries, and industries such as textiles, footwear, leather, confectionery, and meat processing. Tourism remains one of Albania's fastest-growing sectors, fueled by increasing numbers of international visitors. With its unspoiled Adriatic and Ionian coastline, rich cultural heritage, mountain landscapes, and historical sites, Albania offers a strong foundation for investment in tourism infrastructure, resorts, and related services.

Legal and Regulatory Framework

Albania provides a liberal foreign investment regime aligned with OECD principles, with the Law on Foreign Investments guaranteeing a comprehensive framework of protections and rights for foreign investors. It ensures equal treatment of foreign and domestic investors under the principle of non-discrimination and removes the need for preliminary authorization requirements. Investors are granted full protection of private property rights, the freedom to engage in economic activity within a competitive market system, and safeguards against monopolistic practices. The law also secures the right to repatriate profits and dividends after taxation, as well as to transfer funds from liquidated companies. Foreign investments are protected against nationalization or expropriation, except in cases of public interest where due compensation is provided. In addition, investors have access to dispute resolution mechanisms, either through Albanian courts or international arbitration, ensuring legal certainty and confidence in the investment climate.

The law also provides “special state protection” for high-value projects where disputes arise with private parties over land ownership. In such cases, the state may intervene in court proceedings on behalf of the investor and compensate the claimant if the court rules in their favor.

Strategic Investment Law

The Law on Strategic Investments is designed to attract both local and foreign investment in priority sectors by streamlining and expediting administrative procedures. It identifies several areas of strategic importance for the country’s long-term growth and competitiveness. These include energy and mining, where Albania’s natural resources and renewable potential remain central to sustainable development; transport, electronic communications infrastructure, and urban waste management, which are essential for modern connectivity and improved quality of life; and tourism, with a focus on tourist structures and related infrastructure to capitalize on Albania’s growing appeal as a destination. The law also prioritizes agriculture, particularly large agricultural farms and fisheries, as key drivers of food security and export growth, while economic zones and designated development priority areas are promoted as engines for investment, industrial expansion, and regional development.

Bilateral Investment Agreements

Albania has signed bilateral agreements on the promotion and reciprocal protection of investments with a wide range of countries, including:

Austria, Azerbaijan, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Cyprus, the Czech Republic, Denmark, Egypt, Estonia, Finland, France, Germany, Greece, Hungary, Israel, Italy, Kosovo, Kuwait, Lithuania, Luxembourg, North Macedonia, Malaysia, Malta, Moldova, the Netherlands, Poland, Portugal, Qatar,

Romania, Russia, San Marino, Serbia, Slovenia, South Korea, Spain, Sweden, Switzerland, Tunisia, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, the United States, and the OPEC Fund for International Development (whose members include Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the UAE, and Venezuela).

SOVEREIGN RATING

Standard & Poor's (S&P) upgraded Albania's long-term sovereign credit rating from BB- to BB, with a stable outlook, in March 2025, recognizing the country's improving fiscal position and robust economic prospects. S&P expects Albania's real GDP growth to remain above 3% through 2028, underpinned by sustained investment, domestic consumption, and continued strength in the services and tourism sectors.

S&P Outlook Highlights

Growth: Real GDP growth is projected to remain solid, averaging above 3% through 2028, supported by strong household consumption, sustained investment in infrastructure, and continued expansion in tourism and services.

Fiscal position: The fiscal deficit is expected to continue narrowing over the medium term, reinforcing Albania's improving fiscal stance and placing public debt on a sustained downward trajectory relative to GDP.

External sector: External pressures remain manageable, as foreign currency reserves are high, external debt growth is moderate, and the exchange rate is expected to remain broadly stable, providing a solid buffer against potential external shocks.

BUSINESS LAW

Law No. 9901/2008 “On Entrepreneurs and Commercial Companies” (the Commercial Law) is the primary legislation governing business organizations in Albania. The law is modeled on the commercial legislation of Germany, Italy, and Great Britain and represents the cornerstone of Albania’s corporate legal framework.

The Commercial Law regulates the establishment, operation, and dissolution of business organizations, with the objective of harmonizing Albanian corporate law with the European Union *Acquis Communautaire* and the broader legal standards of European countries.

TYPES OF BUSINESS ENTITIES

Foreign investors in Albania have several options for organizing their business operations, which may be established either as a locally incorporated company, a branch, or a representative office. The registration of new entities is carried out through the National Business Center (NBC), created under Law No. 9723 of 3 May 2007 “On Business Registration,” as amended, which introduced a “one-stop shop” system designed to simplify business procedures. Registration and licensing applications are submitted online through the e-Albania portal, and all entities must be duly registered with the NBC before commencing activity.

Forms of Business Entities in Albania

According to the Albanian legal framework, the following entities may be registered:

- » Sole Entrepreneur (Tregtar)
- » Unlimited Partnership (Shoqëri Kolektive)
- » Limited Partnership (Shoqëri Komandite)
- » Limited Liability Company – LLC (Shoqëri me Përgjegjësi të Kufizuar, Sh.p.k.)
- » Joint Stock Company – JSC (Shoqëri Aksionare, Sh.A.)
- » Joint Ventures (Shoqëri e Thjeshtë)

Sole Entrepreneur (Tregtar)

A Sole Entrepreneur (Tregtar) operates a business under his or her own name and is personally liable for all obligations of the enterprise. To establish such a business, the individual must submit an application to the NBC along with valid identification, providing personal details, address, and the type of business activity to be undertaken.

Unlimited Partnership (Shoqëri Kolektive)

An Unlimited Partnership (Shoqëri Kolektive) is formed when two or more partners agree to carry on business together, with each partner bearing unlimited and joint liability for the debts and obligations of the partnership. By default, all partners are considered administrators and may represent the partnership in dealings with third parties, unless otherwise provided in the bylaws. The partnership is required to issue annual financial reports, and the rights, duties, and obligations of the partners are set out in written bylaws filed with the NBC.

Limited Partnership (Shoqëri Komandite)

A Limited Partnership (Shoqëri Komandite), though rarely used in practice, consists of at least one unlimited partner, who is fully liable for the debts of the partnership, and one or more limited partners, whose liability is limited to the value of their capital contribution. Limited partners are prohibited from participating in management, and even if given a proxy, any involvement in management exposes them to unlimited liability. Unlike unlimited partnerships, limited partnerships are not dissolved upon the death or dissolution of one or more limited partners.

Limited Liability Company (Shoqëri me Përgjegjësi të Kufizuar – Sh.p.k.)

The Limited Liability Company (Shoqëri me Përgjegjësi të Kufizuar – Sh.p.k.) is the most common legal form of business in Albania. It may be established by one or more individuals or legal entities, and shareholders are liable for losses only up

to the amount of their contributions. The minimum required capital is ALL 100, and contributions may be made in cash or in kind, with both tangible and intangible assets accepted. The company is managed by administrators appointed by the General Assembly of Shareholders for a term of up to five years, renewable. Ordinary decisions require a simple majority provided that a quorum of more than 30 percent of the share capital is represented, while extraordinary decisions, such as amendments to bylaws, changes in capital, mergers, acquisitions, or profit distribution, require a three-fourths majority of those present, provided shareholders holding more than half of the total votes participate. All decisions are recorded in the minutes and maintained by the administrators.

Joint Stock Company (Shoqëri Aksionare – Sh.A.)

The Joint Stock Company (Shoqëri Aksionare – Sh.A.) is a form of company whose capital is divided into shares, with shareholders liable only up to the value of their contributions. The minimum initial capital requirement is ALL 3.5 million for privately held companies and ALL 10 million for publicly listed companies. Capital is fully subscribed when shareholders commit to transfer assets equal to the subscribed capital, either in cash or in kind. For cash contributions, at least 25 percent of the nominal value of shares must be paid upon subscription. In-kind contributions must be fully paid in at the same time. Contributions in services are not permitted. Rights attached to shares may not be transferred before registration of the company with the NBC, and all shares must bear the same nominal value. Joint stock companies may issue both ordinary and privileged shares, the latter without voting rights but not exceeding 49 percent of the registered share capital. Governance is flexible: companies may choose a one-tier system, where a single board of directors carries out management and oversight, or a two-tier system, with a board of directors managing and a separate supervisory board overseeing.

Foreign investors may also establish a presence in Albania through branches or representative offices. Both must be registered with the NBC and have a legal representative empowered by the head office to administer local operations. For tax purposes, a branch is generally treated in the same manner as an Albanian legal entity.

Joint Ventures (Shoqëri e Thjeshtë)

Albanian legislation recognizes Joint Ventures, referred to as a “simple company”, which are based on an agreement between partners and governed by the Civil Code (Articles 1074–1112). Joint ventures may be formed by two or more persons, whether individuals or legal entities, foreign or domestic, who agree to engage in economic activity and share the resulting profits. No minimum capital is required, but partners are bound to make contributions as provided in the agreement. Unless otherwise agreed, each partner may participate in management and exercise full authority in matters falling within the scope of the venture.

Profits are distributed once accounts are approved, unless otherwise specified in the agreement. Partners are jointly liable for obligations arising from law and the partnership agreement, unless they can prove absence of fault.

REGISTRATION WITH THE NATIONAL BUSINESS CENTER

The application form is filed online through the e-Albania government portal.

To register a new company with the Albanian Commercial Register maintained by the National Business Center (NBC), the following documents are required:

- » Bylaws;
- » Resolution on establishment of the new company and the appointment of the company administrator;
- » Power of attorney for the person filing the application.

Depending on the legal form of the business entity and/or its shareholder/s, additional documents must also be filed with the NBC.

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

- » Resolution of the parent company to establish the branch or representative office in Albania and appoint a legal representative in Albania;
- » Bylaws of the parent company, including any amendments;
- » Recent extract from the Chamber of Commerce of the country where the parent company is registered, issued no more than 90 days prior to the application date, confirming:
 - the registration of the parent company in the Commercial Register of the country of origin;
 - that the company is not subject to dissolution or bankruptcy;
 - the composition of the managing bodies of the company;
- » Financial statements for the last financial year of the parent company, together with the auditor's report;
- » Copy of passport of the branch legal representative and copy of passport of the head officer of the parent company;
- » Power of attorney for the person filing the application.

ULTIMATE BENEFICIAL OWNER REGISTRATION

Pursuant to the Law no. 112/2020, dated 29.07.2020 “On the Registry of Beneficial Owners”, as amended, all new legal entities registered with the NBC (including branches and representative offices of foreign entities), referred to as reporting entities, must identify and register the ultimate beneficial owner(s) (UBO) with Registry of Beneficial Owners (“UBO Registry”). A UBO is the individual who ultimately owns or controls 25% or more in shares or voting rights in the reporting entity.

The application for UBO registration is made online through the official e-Albania portal via the account of the reporting entity. The reporting entity may appoint a person to carry out the registration process. The extract from the UBO Registry shows the business number and name of the reporting entity, as well as information on the identity of beneficial owners, the date the individual was determined as beneficial owner, and percentage of ownership, and whether the ownership is direct or indirect. The UBO Registry ensures the protection of personal data of the UBO, through proportional data processing.

The documents to be filed for registration with the UBO Registry depend on the shareholding structure of the entity. Usually, extracts from the Commercial Register for each entity in the shareholding structure would be sufficient. If the extracts do not show the shareholders of the relevant entity, copies of the company’s share register, or similar documents may be filed.

The UBO filing must be made at the same time as the application for registration of the reporting entity with the NBC or within 40 (forty) calendar days from the date of registration. Failure to make the UBO filing within the initial period of 40 (forty) calendar days is subject to a fine of ALL 50,000. Failure to register the UBO within an additional 40 (forty) calendar days after the expiry of the initial 40 (forty) calendar day period is subject to an additional fine of ALL 600,000.

Updates to UBO data of reporting entities must be made within 90 (ninety) calendar days from the date the UBO change occurred. Failure to update the UBO within the 90 (ninety) calendar day period is subject to a fine of ALL 400,000.

In addition to the fine, reporting entities that fail to perform the UBO filing are not allowed to carry out any new filing with the NBC, and their status is changed from “active” to “suspended”, until the fine is paid and the UBO filing is completed.

LICENSING OF DIFFERENT BUSINESS ACTIVITIES

The general principle established by the Licensing Law (Law No. 10081, dated 23.02.2009) is that business activities in Albania are freely conducted and not subject to licensing, authorization or permit unless required by applicable law. The Licensing Law sets out: (i) those activities that require a license, authoriza-

tion, or permit; (ii) the relevant requirements and procedures; (iii) the terms of validity for a license, authorization, or permit; (iv) the procedures for revocation and (v) the rules on organization and content of the National Register of Licenses and Permit.

Under the Licensing Law, any license, authorization, or permit issued by the central or independent institutions must be registered with the National Register of Licenses and Permits (the “Register”) maintained by the NBC.

As a general rule, licenses, authorizations, and permits become effective only upon their publication in the Register, unless the deed approving the license, authorization, or permit specifies that it enters into force upon its publication in the Official Gazette.

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

The Licensing Law empowers the NBC to examine and approve applications for licenses, authorizations, and permits listed in the Licensing Law and sub-legal acts issued for its implementation.

Not all licenses, authorizations and permits have to be reviewed by NBC. Certain applications are examined directly by the competent public authorities. In specific cases, NBC may examine or consider such applications, provided that an agreement between the NBC and the competent authority is in place.

Tacit Approval

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

Nevertheless, there are some activities subject to licensing for which the “tacit approval” rules are not applicable.

Other Mandatory Filings with the National Business Center

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

If the change relates to the criteria for licensing the specific activity, the holder of the license, authorization, or permit must notify both the NBC and the relevant authority involved in issuing the license, authorization, or permit. In the event

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

PUBLIC PROCUREMENT

Albania's public procurement legislation complies with the *Acquis Communautaire* and international standards. Law No. 162/2020 "On Public Procurement", as amended, is harmonized with EU legislation by being partially aligned with a set of Directives of the European Parliament and the Council.

The law regulates public contracts for the purchase of works or the supply of goods and applies to both economic operators and contracting authorities. It also sets out sectoral procurement procedures. The amendments to the procurement law adopted in February 2024 abolished the consultancy services procurement category.

The main principles of the public procurement regime are transparency, equal treatment and non-discrimination, protection of competition, and proportionality of requirements and obligations imposed on actual and potential bidders. Public contracts must also comply with the applicable environmental, social and labor law and conventions.

The standard procurement procedures are:

- » open procedure.
- » restricted procedure.
- » negotiated procedure.
- » innovation partnership.
- » competitive dialogue.
- » simplified open procedure.
- » consulting service.

Bid openings are generally public, except in specific situations regulated by law. Bidders must meet the selection criteria with regard to their suitability to pursue professional activity, their economic and financial standing, and their technical and professional ability.

At the end of the procedure, contracting authorities select the most economically advantageous offer by virtue of the awarding criteria defined in the tender documentation.

Information about public procurement may be obtained through the Bulletin of Public Notices and the e-procurement system, which facilitates and standardizes the entire tendering process.

The Albanian legal framework provides many safeguards, and the entire process is continuously supervised by two separate bodies, the Public Procurement Agency and the Public Procurement Commission.

Bidders have, *inter alia*, the right to appeal if the rules, criteria, or public procurement procedures are not respected. They are required to first file an administrative appeal before both the contracting authority and the Public Procurement Commission simultaneously, and then, in accordance with the applicable law, may file an appeal against the administrative decision before the Administrative Court of Appeal.

ACCOUNTING REGULATIONS

All for-profit economic units in the Republic of Albania, including financial institutions, regardless of their legal form or the specific legal requirements applicable to them, are subject to Law No. 25/2018 “On Accounting and Financial Statements” effective from 1 January 2019. This law is partly harmonized with the EU Accounting Directive 2013/34/EU and Directive 2014/95/EU “On Non-Financial Reporting”.

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

According to the Law on Accounting, entities must prepare financial statements based on either National Accounting Standards (NAS) or International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board and translated into Albanian under the auspices of the National Accounting Committee, without alterations from the original English version.

The following entities are required to prepare financial statements on an IFRS basis:

- » Companies listed on a stock exchange;
- » Second-tier banks, financial institutions similar to banks, insurance and reinsurance companies, securities funds, and all companies licensed to invest in securities, even if they are not stock-listed companies;
- » large economic units, which on the reporting date, exceed two of the following criteria:
 - annual revenues ALL 1.5 billion,
 - total assets ALL 750 million,
 - and an average number of employees during the year exceeding 250.

However, voluntary application of IFRS is permitted. The National Accounting Committee (NAC) has approved fifteen National Accounting Standards. A specific accounting standard for not-for-profit organizations has been in place since 1 January 2016.

The National Accounting Standards (NAS) include the following:

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

The accounting period consists of 12 consecutive months and should begin with the calendar year. The law allows the use of a functional currency other than ALL. However, accounting books must continue to be maintained in the Albanian language, and financial statements must be presented in ALL. Transactions in foreign currencies may be carried out through special accounts in their respective currencies.

All accounting books, source documents, and financial reports must be retained for a period of 10 years. Accounting books and records may also be maintained by third parties, except in certain cases specified by law.

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

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

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

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

FINANCIAL STATEMENTS AND CERTIFICATION REQUIREMENTS

Financial statements must comprise the following:

- » Statement of financial position;
- » Statement of performance;
- » Statement of changes in equity;
- » Cash flow statement;
- » Notes, including a summary of significant accounting policies and explanatory material.

Together with the financial statements, companies must file an annual profit tax return with the tax authorities no later than 31 March of the following year. Entities are also required to submit their financial statements to the National Business Center within seven months from the reporting date. Medium-sized and large entities, public interest entities, and nonprofit organizations with total assets or revenues exceeding ALL 30 million are further required to publish these documents on their websites.

OTHER NON-FINANCIAL REPORTING REQUIREMENTS

Entities are required under the Law on Accounting to prepare and publish non-financial reports.

A management report must be prepared by all entities, except micro and small-sized undertakings (if repurchase of shares is disclosed in the notes) and not-for-profit organizations with revenues or assets of less than ALL 30 million.

Small and medium-sized undertakings of public interest are obliged to prepare and publish a corporate governance report. If an undertaking is classified as large and has more than 500 employees, it must also publish a non-financial statement.

In addition to the above, large undertakings active in the extractive industry are required to publish a report of payments to the government.

AUDIT REQUIREMENTS

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

- » Companies that apply IFRS, regardless of their legal form;
- » Joint stock companies that apply the National Accounting Standards for financial reporting;
- » Limited liability companies that apply NAS, in cases where, for two consecutive years, two of the following requirements are met:
 - Total assets are equal to or greater than ALL 50 million;
 - Annual turnover is equal to or exceeds ALL 100 million;
 - The average annual number of employees is 30.

The auditor is appointed annually by a decision of the General Meeting of Shareholders in the case of a Limited Liability Company or a Joint Stock Company.

Companies that apply the IFRS and joint stock companies that apply NAS must appoint at least two natural persons as auditors, or alternatively, a single audit firm.

TAXATION OF BUSINESSES

GENERAL

The Albanian tax system consists of corporate income tax, value-added tax (VAT), excise tax, personal income tax, and local taxes. The tax period for corporate income tax is the calendar year, while the tax period for VAT, excise tax, and employment income is the calendar month. Individuals who meet certain requirements must also file an annual income tax return.

The modernization of the tax regime began in October 1997 with the introduction of VAT, which replaced the turnover tax. Initially set at 12.5%, the VAT rate was later increased to 20%. In January 1999, the Customs Code entered into force, simplifying procedures, reducing discretionary interpretation, and aligning domestic rules with WTO requirements. The income tax law, introduced in 1998, abolished most of the previously granted tax exemptions.

In 2006, the Albanian government adopted a low-tax policy to encourage investment, and in 2008, it introduced a flat tax rate of 10% on all income, whether personal or business, except for income from industries governed by special legislation, such as hydrocarbons.

In May 2008, a new law on tax procedures was enacted, setting out detailed provisions on taxpayers' rights, enforcement of tax obligations, and the documentation required for fiscal purposes.

Effective from 1 January 2014, the government introduced several reforms, in-

cluding an increase in the corporate income tax rate from 10% to 15%, the replacement of the flat 10% personal income tax with progressive rates on employment income, and an expansion of the calculation base for health insurance contributions. The VAT law, approved in July 2014, is broadly aligned with the EU Directive “On Value Added Tax.”

The Customs Code, adopted in July 2014, is fully harmonized with Regulation No. 952/2013 of the European Parliament and of the Council, on the Union Customs Code.

Finally, Law No. 29/2023 “On Income Tax” entered into force on 1 January 2024 (with certain provisions effective from 1 January 2025). While the law introduces no major changes compared with the previous legislation, the new provisions clarify specific rules on the taxation of personal income tax, capital gains, and controlled foreign companies, and refine anti-avoidance measures to further align Albania’s framework with OECD and EU standards.

RESIDENCE

Legal entities are considered residents for tax purposes if they are registered with the National Business Center or if the management and control of the entity’s affairs are exercised in Albania at any time during the tax year.

The management and control of an entity’s affairs are deemed to be exercised in Albania if meetings of its board of directors are held in Albania, or if at least two of the following conditions are met:

- » Decisions relating to the daily management of the entity are made in Albania;
- » At least 50% of the board members or directors of the entity are residents of Albania;
- » At least 50% of the capital or voting rights of the entity are owned, directly or indirectly, by persons resident in Albania.

CORPORATE INCOME TAX

Corporations conducting business in Albania with an annual turnover exceeding ALL 14 million are subject to corporate income tax (CIT) at a rate of 15%. Corporations with an annual turnover of ALL 14 million or less benefit from a zero CIT rate until 31 December 2029.

To incentivize tourism, a profit tax exemption applies for a period of 10 years to accommodation structures classified as “Four-Star and Five-Star Hotels, Special Status,” with this incentive available to structures obtaining such status until De-

ember 2026 and commencing the activity within 5 years from the status date. A minimum of EUR 8 million must be invested in a four-star hotel, and a minimum of EUR 15 million must be invested in a five-star accommodation facility, to obtain this status.

Software development companies registered before 17 May 2023 continue to benefit from a reduced CIT rate of 5% until 31 December 2025. The automotive industry enjoys a reduced CIT rate of 5% until 31 December 2029. Similarly, a reduced profit tax rate of 5% also applies to entities classified as “certified agritourism entities” under tourism legislation, with this incentive valid until 31 December 2029.

The determination of the taxable base begins with the profit reported in the profit and loss account. Profit must be calculated in accordance with current accounting legislation and the relevant instructions issued by the Ministry of Finance. When determining the taxable base, the following expenses are deductible:

- » Expenses incurred for generating, securing, and maintaining profit;
- » Insurance premiums;
- » Depreciation allowances;
- » Interest;
- » Bad debts, provided that:
 - a) the corresponding amount has been previously recognized as income;
 - b) the bad debt is written off in the taxpayer’s accounting records; and
 - c) all possible legal actions to enforce payment have been undertaken;
- » Other expenses not specifically listed as non-deductible.

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

- » Expenditures incurred for the acquisition and improvement of land, which are capitalized;
- » Interest exceeding the annual average interest rate of the banking sector;
- » Net interest expense exceeding thirty percent (30%) of EBITDA, as further specified under the section “Limitation on interest expense”;
- » Losses arising from damage and waste related to production, trans-

portation, and storage, to the extent that such losses exceed the rates established by decision of the Council of Ministers;

- » Dividends;
- » Corporate income tax;
- » Penalties and fines imposed under applicable legislation;
- » Expenditures for technical, consulting, and management services provided by non-resident entities, where the respective invoice and the withholding tax are not paid by 31 March of the subsequent year. Such expenditures are recognized as deductible in the following tax year, provided that both the invoice and the withholding tax are paid by 31 December of that year;
- » Expenditures of a personal consumption nature incurred by shareholders, administrators, and members of their families;
- » Representation and reception expenditures exceeding zero point three percent (0.3%) of annual turnover;
- » Sponsorship expenditures exceeding three percent (3%) of profit before tax, and sponsorship expenditures for press publishers, cultural and artistic activities, exceeding five percent (5%) of profit before tax. By way of exception, legal entities generating an annual taxable profit exceeding ALL 100 million that sponsor sports teams belonging to recognized federations may deduct an amount equal to three times the sponsored amount. This deduction is not carried forward to the subsequent tax period;
- » Expenditures on salaries and other remuneration arising from employment relationships where payment is not effected through the banking system;
- » Expenditures resulting from any purchase-sale transaction between taxpayers carried out in cash for an amount exceeding ALL 150,000.

Expenditures incurred by exporters for participation in fairs or expositions abroad are deductible up to three percent (3%) of annual turnover, provided that the taxpayer has generated not less than seventy percent (70%) of its income from export sales during the preceding three years. Manufacturers operating under the inward processing regime are not deemed exporters for the purposes of this provision.

Depreciation

The owner of an asset is entitled to depreciation allowances. In the case of a finance lease, the right to claim depreciation vests in the lessee, being the person who bears the risk of loss or destruction of the asset.

Tangible and intangible assets are depreciated individually, applying the straight-line method. Intangible assets are amortized at the rate of fifteen percent (15%) of their historical value.

Tangible assets are classified into three (3) groups, to which the following rates apply:

- » Buildings, structures, and machinery with a long useful life – five percent (5%);
- » Computers, software products, and information systems – twenty-five percent (25%);
- » Other assets – depreciated using the declining-balance method at the rate of twenty percent (20%).

The depreciable base for passenger vehicles used for personnel does not exceed fifty percent (50%) of the cost, inclusive of value-added tax (VAT), and in no case exceeds ALL 5,000,000.

Where the depreciable base (i.e., acquisition or creation cost) of an asset is less than ALL 10,000, the full cost of such asset may be deducted in the tax period in which it was acquired or created.

Depreciation allowances are not granted in respect of land, works of art, antiques, jewelry, precious metals, or precious stones.

Any subsequent measurement of tangible or intangible fixed assets after their initial recognition is not taken into account for tax purposes.

Inventory

Inventory is valued using the weighted average price method, the “first in, first out” (FIFO) method, or any other method prescribed under applicable accounting standards and regulations, provided that the taxpayer applies the chosen method consistently. The accounting method is not changed more than once within a period of five years. Any subsequent measurement of inventory after its initial recognition is not taken into account for tax purposes.

Reserves and Provisions

Reserves are not deductible for tax purposes. By way of exception, banks and insurance companies may deduct reserves and provisions under the conditions prescribed by the applicable legislation.

Losses

Tax losses may be carried forward and deducted from taxable income for a period of five consecutive tax years. Losses incurred up to and including 31 December 2023 may be carried forward for a period of three tax years. The carryforward of losses is not permitted where there has been a change of more than fifty

percent (50%) in the direct or indirect ownership of the share capital or voting rights of the taxpayer, provided that such change is accompanied by a change in the nature of the economic activity conducted. The carryback of losses is not permitted.

Limitations on Interest Expense

In the case of loans and financing, the net interest expense is deductible up to thirty percent (30%) of EBITDA. For this purpose, “net interest expense” means the interest expense less the interest income realized within the same tax period. The taxpayer has the right to carry forward any non-deductible portion of the interest and to claim its deductibility during the five subsequent tax periods. This limitation does not apply to banks, non-bank financial institutions engaged in lending, insurance companies, or financial leasing companies.

Inter-Company Dividends

Dividends and profit shares distributed by a resident company or partnership to another resident entity are not included in the taxable income of the recipient, provided that the receiving entity owns not less than ten percent (10%) of the shares or interests and maintains such participation for a period of not less than twenty-four (24) months.

Dividends or profit shares paid to resident entities are subject to withholding tax. Resident recipient entities have the right to credit the withholding tax against their corporate income tax liability.

Transfer Pricing

The rules on transfer pricing are based on the OECD Transfer Pricing Guidelines. The tax legislation lists the methods that may be applied by the taxpayer when carrying out a controlled cross-border transaction, having regard to the characteristics of the transaction. The methods are:

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

The taxpayer may apply an alternative transfer pricing method, provided that it is demonstrated that none of the aforementioned methods can be reasonably applied to ensure compliance with the arm’s-length principle in respect of controlled transactions.

Taxpayers engaging in controlled transactions the value of which exceeds ALL fifty million (50,000,000) per year (approximately EUR 510,000) are required to

submit to the tax authorities an Annual Controlled Transactions Notice.

Where the tax authorities of a jurisdiction with which the Republic of Albania has concluded a double taxation treaty make a transfer pricing adjustment resulting in the taxation of profits that have already been taxed in Albania, the Albanian taxpayer may submit a written request to the General Tax Directorate for the corresponding adjustment of corporate income tax in Albania. The requested transfer pricing adjustment may be fully or partially accepted or rejected within a period of three (3) months from the date of submission of the request.

Foreign Tax Credit

Income taxes paid abroad by resident entities are credited against tax amounts due in Albania, in accordance with the provisions of the law, applying the ordinary credit method.

WITHHOLDING TAXES

Dividends and Profit Sharing

Dividends and profit sharing are subject to withholding tax at the rate of eight percent (8%) when paid to resident or non-resident entities, unless a reduced rate applies under a double taxation treaty for payments to a non-resident. By way of exception, withholding tax does not apply to dividends and profit shares distributed by a resident company or partnership to another resident entity, provided that the receiving entity owns not less than ten percent (10%) of the shares or interests and maintains such participation for a period of not less than twenty-four (24) months.

Resident entities may deduct the withholding tax against their corporate income tax liability.

Interest and royalties

Interest and royalties paid to resident or non-resident entities, other than duly licensed banks and financial institutions, are subject to withholding tax at the rate of fifteen percent (15%). Resident entities may deduct the withholding tax against their corporate income tax liability.

Other Payments

Payments made in respect of artistic performances, leases, management, participation in managing bodies, technical, management, and insurance services, as well as construction, installation, or site supervision services, to non-tax-registered residents and to non-residents, are subject to withholding tax at the rate of fifteen percent (15%).

Double Taxation Avoidance Treaties

Since 1992, the Republic of Albania has concluded agreements for the avoidance of double taxation with respect to taxes on income and on capital, and for the prevention of tax evasion, with several countries. These agreements regulate the taxation of income derived from business profits, international transport, dividends, interest, royalties, dependent and independent personal services, and income from real estate. They establish the rules applicable to taxation of the aforementioned categories of income with the objective of avoiding double taxation. For certain categories of income, such as dividends and interest, the agreements also provide for the maximum rate of taxation applicable in the contracting state in which the income arises.

Tax Treaties in force:

The Republic of Albania has concluded agreements for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital with the following states. These agreements are in force as of the dates indicated below:

1. Poland – effective 1 January 1995
2. Romania – effective 1 January 1995
3. Malaysia – effective 1 January 1995
4. Hungary – effective 1 January 1996
5. Turkey – effective 1 January 1997
6. Czech Republic – effective 1 January 1997
7. Russian Federation – effective 1 January 1998
8. North Macedonia – effective 1 January 1999
9. Croatia – effective 1 January 1999
10. Italy – effective 1 January 2000
11. Bulgaria – effective 1 January 2000
12. Sweden – effective 1 January 2000
13. Norway – effective 1 January 2000
14. Greece – effective 1 January 2001
15. Malta – effective 1 January 2001
16. Switzerland – effective 1 January 2001
17. Moldova – effective 1 January 2004
18. Belgium – effective 1 January 2005
19. China – effective 1 January 2006
20. France – effective 1 January 2006
21. Netherlands – effective 1 January 2006
22. Egypt – effective 1 January 2006
23. Serbia – effective 1 January 2006
24. Montenegro – effective 1 January 2006
25. Kosovo – effective 1 January 2016
26. Austria – effective 1 January 2009

27. Latvia – effective 1 January 2009
28. South Korea – effective 1 January 2009
29. Bosnia and Herzegovina – effective 1 January 2009
30. Slovenia – effective 1 January 2010
31. Spain – effective 4 May 2011
32. Ireland – effective 1 January 2012
33. Germany – effective 1 January 2012
34. Singapore – effective 1 January 2012
35. Qatar – effective 1 January 2013
36. Kuwait – effective 1 January 2014
37. Great Britain – effective 1 January 2014
38. United Arab Emirates – effective 11 July 2014
39. Iceland – effective 1 January 2017
40. Estonia – effective 1 January 2018
41. Saudi Arabia – effective 1 January 2019
42. Israel – effective 1 January 2022
43. Finland – effective 1 January 2024

The agreement with Luxembourg entered into force on 25.06.2025, with an effective date of 1 January 2026.

INDIRECT TAXES

Value Added Tax

The Law on Value Added Tax, which broadly reflects Directive 2006/112/EC of the European Union on Value Added Tax, entered into force on 1 January 2015.

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

All individuals and legal entities making taxable supplies and having an annual turnover of not less than ALL 10 million are subject to the general VAT regime. Voluntary registration is permitted for any person with an annual turnover exceeding ALL 5 million. Notaries and bailiffs are required to register for VAT irrespective of their annual turnover. The National Business Center issues a VAT registration certificate to the taxable person, which must be displayed at each place of business activity. A taxable person conducting the same or different economic activities and operating in several places of economic activity within Albania is identified by one individual and a unique VAT registration number.

A taxable person submits a VAT declaration and remits the related payment not later than the 14th day of the calendar month following the end of the respective month. VAT ledgers are filed not later than the 10th day of the calendar month

following the end of the respective month.

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

- (a) the application by a taxable person, for the purposes of their business, of goods produced, constructed, extracted, processed, purchased, or imported in the course of such business, where the VAT on such goods, had they been acquired from another taxable person, would not be wholly deductible;
- (b) the application of goods by a taxable person for the purposes of a non-taxable activity, where the VAT on such goods became wholly or partly deductible upon their acquisition or upon their application under point (a);
- (c) the retention of goods by a taxable person, or by their successors, upon cessation of a taxable economic activity, where the VAT on such goods became wholly or partly deductible upon their acquisition or upon their application under point (a).

Goods for business use as samples or gifts of value not exceeding ALL 2,000 are not treated as goods supplied for consideration.

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

VAT Rate

The standard rate of value-added tax in Albania is twenty percent (20%). A reduced rate of six percent (6%) applies to the following supplies:

- » services provided within accommodation structures classified as “Five-Star Hotel, Special Status,” as defined under the legislation regulating tourism;
- » accommodation and restaurant services, with the exception of the supply of beverages, provided within certified “agritourism” entities;
- » advertising services supplied by audio-visual media;
- » books of any type; and
- » electric vehicles intended for public transport with a seating capacity of not less than nine plus one (9+1) seats.

VAT Exemptions

Exemptions from value added tax include activities carried out in the public interest, such as:

- » supply by public postal services;

- » supply of medicinal products and active implantable medical devices;
- » supply of medical services and closely related activities undertaken by duly licensed institutions;
- » supply of human organs, blood, and milk;
- » supply of services by dental technicians;
- » supply of services and goods closely linked to welfare and social security work carried out by bodies governed by public law or other organizations recognized by the competent authority;
- » supply of services and goods closely linked to the protection of children and young persons carried out by bodies governed by public law or other organizations recognized by the competent authority;
- » provision of children's or young people's education, school or university education, including the supply of services and goods closely related thereto, as well as tuition given privately by teachers covering school and university education;
- » supply of services and goods closely linked thereto to their members in their common interest, in return for a subscription fee, in accordance with their statute, by non-profit organizations with a political, trade union, religious, patriotic, philosophical, or civic purpose;
- » supply of certain services closely linked to sport or physical education;
- » supply of certain cultural services and goods closely linked thereto;
- » supply of transport services for sick or injured persons;
- » activities, other than those of a commercial nature, carried out by public radio and television bodies;
- » supply of agricultural machinery, as defined by the decision of the Council of Ministers;
- » supply of veterinary services, except for services provided to pets;
- » supply of services by subcontractors or contractors engaged in the inward processing regime (processing of non-Albanian goods for re-exportation);
- » import of raw materials used for the production of drugs by authorized pharmaceutical manufacturing entities, as defined by the decision of the Council of Ministers;
- » supply of electric vehicles with only an electric motor that are not

registered in any other country, except those subject to the reduced VAT rate of six percent (6%); and

- » supply of construction services for the rebuilding process after a natural disaster, provided that the services are rendered during the period of the state of natural disaster. This exemption also applies to direct suppliers of constructors for services and goods acquired in relation to the rebuilding process, subject to authorization by the General Tax Directorate.

Exemptions also apply to the following activities:

- » insurance and reinsurance transactions;
- » financial services;
- » supply of a building or parts thereof and of the land on which it stands, unless the taxpayer opts for taxation;
- » lease of immovable property where the lease duration exceeds two months, unless the taxpayer opts for taxation (except accommodation in hotels, vacation residences, warehouses, and parking places);
- » supply of services rendered by contractors and subcontractors relating to the exploration phase of hydrocarbon operations, and import of goods during the exploration phase, when certified as such by the National Agency of Natural Resources;
- » supply of identity cards;
- » supply of newspapers and magazines of any kind, newspaper printing services, and the supply of advertising in the print media;
- » supplies of services relating to gambling, betting, and lotteries; and
- » lease and supply of land.

Place of Supply

Where goods are located in Albania and their supply does not involve delivery to or transportation from Albania, such goods are treated as being supplied in Albania.

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

The place of supply of “business-to-business” (B2B) services is, as a general rule, the place where the recipient has established its business. To benefit from the

non-application of VAT, the supplier must obtain documentation demonstrating that the recipient is a VAT taxpayer in its country of establishment. Where the services are provided to a fixed establishment of the taxable person located in a jurisdiction other than that in which the person has established its business, the place of supply is the place where that fixed establishment is located.

In respect of “business-to-consumer” (B2C) supplies of services, being supplies of services to a non-taxable person, the place of supply is generally the place where the supplier has established its business. Where such services are provided from a fixed establishment of the supplier located in a jurisdiction other than that in which the supplier has established its business, the place of supply is the place where that fixed establishment is located.

There are, however, specific exceptions to these rules governing the place of supply of services.

Special Schemes

The Value Added Tax Law provides special schemes applicable to small business entities, travel agents, the sale of second-hand goods, sales by public auction, farmers, and investment in gold.

LOCAL TAXES

Tax on Real Estate

All Albanian and foreign individuals and legal entities that own real estate property consisting of buildings, agricultural land, or constructible land are subject to tax on real estate.

Tax on Building

The tax on buildings is payable in respect of each square meter of a building, including underground floors, and is calculated with reference to the portion of the year during which the building has been owned. The taxable base is the value of the building. The applicable rates of the tax on buildings, expressed as a percentage of the taxable base per year, are as follows:

- i. zero point zero five percent (0.05%) for buildings used for dwelling purposes;
- ii. zero point twenty percent (0.20%) for buildings used for economic activity;
- iii. thirty percent (30%) of the respective tax amount for the entire building, where the developer has failed to complete the construction within the deadline established in the construction permit.

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

Tax on Agricultural Land

The tax on agricultural land is payable in respect of each hectare of agricultural land. The amount of tax varies according to the category of the land and the district in which the land is located.

Tax on Constructible Land

The tax on constructible land is payable in respect of land not occupied by a building or other permanent construction that is classified as constructible land. The applicable rates are as follows:

- » from zero point fourteen (0.14) ALL per square meter up to zero point fifty-six (0.56) ALL per square meter where the land is used by individuals; and
- » from twelve (12) ALL per square meter up to twenty (20) ALL per square meter where the land is used by businesses.

The applicable rate depends on the municipality in which the land is located.

Tax on the Transfer of Ownership Rights to Real Estate

The tax on the transfer of ownership rights to real estate applies upon the transfer of ownership title to all real estate property. The tax is payable by the transferor of the ownership title. Individuals are not subject to this tax, as they are liable for personal income tax on income derived from the transfer of ownership title (see Chapter 6).

In the municipalities of Tirana and Durrës, the applicable rates are as follows:

- » buildings used for business purposes are taxed at two thousand (2,000) ALL per square meter; and
- » buildings used for residential purposes are taxed at one thousand (1,000) ALL per square meter.

Lower rates apply in other districts.

The transfer of ownership rights to real estate property other than buildings is subject to tax at the rate of two percent (2%) of the sale price.

Donations of real estate property made to governmental entities, religious institutions, or not-for-profit organizations are exempt from the tax on the transfer of ownership title.

Hotel Residence Tax

The hotel residence tax is payable by all persons, whether Albanian or foreign, who stay in a hotel. The tax is established as a fixed amount determined by reference to the classification of the hotel and the municipality in which the hotel is located.

The tax is calculated and withheld by the hotel administration. The hotel admin-

istration is required to remit the total amount of hotel residence taxes collected during a given month to the respective municipality not later than the fifth (5th) day of the following month.

Tax on Impact in Infrastructure from New Constructions

The tax on impact on infrastructure from new constructions is levied on the value of a new investment.

For new residential or business units, the tax varies from four percent (4%) to eight percent (8%) of the sale price of such units. For other types of construction, including touristic, industrial, and public constructions, the tax is calculated on the value of the investment at rates ranging from one percent (1%) to three percent (3%), except in the municipality of Tirana, where the applicable rate ranges from two percent (2%) to four percent (4%). The actual rate is determined by the local municipality.

By way of exception, in the case of infrastructure projects such as the construction of national roads, ports, airports, tunnels, dams, or energy infrastructure, the tax is applied at the rate of zero point one percent (0.1%) of the investment value. For the purposes of this provision, the investment value includes the cost of equipment and machinery required for the project. The amount of tax payable may not be less than the cost of rehabilitating the damaged infrastructure.

Accommodation structures classified as “Five-Star Hotel, Special Status” are exempt from the tax on impact on infrastructure from new constructions.

Excise Tax

Excise tax is payable on certain categories of goods, including tobacco, alcoholic beverages, coffee, and other specified products. The tax is levied in the form of stamp duty, either at a percentage rate or on a per-unit basis, depending on the nature of the commodity.

Customs Duties

Customs duties are charged according to the classification of imported goods under the combined nomenclature. For certain categories of imported goods, minimum customs values apply.

Exemptions from customs duties include:

- » goods imported under government agreements where the exemption is expressly provided for in the agreement;
- » certain imports by contractors engaged in oil exploration;
- » humanitarian aid;
- » donated goods imported for charitable, philanthropic, or aid purposes by not-for-profit organizations, religious institutions, or pub-

lic entities; and

- » goods imported for trade promotion or advertising purposes.

Pursuant to the Stabilization and Association Agreement between the European Union and the Republic of Albania, customs duties on products originating from European Union member states are eliminated.

Other National and Local Taxes

In addition to the taxes provided above, a variety of other national and local taxes and fees apply. These include, but are not limited to, the carbon tax, the circulation tax on fuel, port charges, consular fees, royalty tax, local cleaning tax, billboard tax, and advertising tax.

TAXATION OF INDIVIDUALS

GENERAL

All individuals are liable to income tax under Albanian law. Residents are subject to tax on their worldwide income, while non-residents are subject to tax only on income derived within the territory of the Republic of Albania.

RESIDENCE

An individual is considered a tax resident of Albania if they have their habitual residence in Albania or if they reside in Albania for an aggregate period exceeding one hundred eighty-three (183) days in any calendar year.

TAXABLE INCOME

Personal income tax is calculated separately for each category of income. The following categories of income are subject to tax:

- » wages, salaries, and other compensation derived from employment relations, including basic pay, overtime pay, bonuses, and any other remuneration for the performance of employment. Income generated by self-employed individuals performing certain professional activities is deemed to be employment income where: (i) at least eighty percent (80%) of such income is generated directly or indirectly from a single customer; or (ii) at least ninety percent (90%) of such income is generated from fewer than three customers. Where such professional services are rendered exclusively to non-resident individuals or non-resident entities that do not maintain a per-

manent establishment in Albania, the income is treated as business income;

- » dividends and profit sharing from partnerships;
- » capital gains derived from the sale of shares, with the taxable base being the difference between the sale price and the purchase price or nominal value of the shares;
- » interest from bank deposits and other interest-bearing securities;
- » income from copyright royalties;
- » income from loans and leases;
- » income from the transfer of ownership of real estate, with the taxable base being the difference between the sale price and the purchase price of the property;
- » income from lotteries and gambling; and
- » any other Albanian-sourced income not expressly exempt from taxation.

TAX – EXEMPT INCOME

The following categories of income are exempt from personal income tax:

- » allowances received under social and health insurance schemes, including pensions;
- » the value of meals, refreshments (excluding alcoholic beverages), work equipment, medical treatment, and other benefits provided on premises operated by or on behalf of the employer, where such benefits are made available to all employees on similar terms and are intended to improve working conditions;
- » reimbursement of travel and accommodation expenses and travel allowances, where provided in accordance with the applicable legislation and supported by the required documentation;
- » contributions or premiums paid by the employer for life, healthcare, and occupational injury insurance;
- » scholarships;
- » compensation received in respect of expropriation;
- » income of individuals enjoying diplomatic status;
- » damage relief and litigation costs awarded in favor of an individual pursuant to a final court decision;

- » income paid by state institutions in recognition of achievements in science, sport, or culture; and
- » transfer of ownership title of a house and/or land between family members, including transfers between spouses or between parents and children, whether effected by donation or by renunciation of ownership rights.

Benefits in kind

Benefits in kind received by employees are included in taxable income and are assessed at their market value.

PERSONAL INCOME TAX RATES

Wages, salaries, and other compensation derived from employment are subject to tax at the following progressive rates:

Annual taxable income (ALL)	Rate
0 – 2,040,000	13%
above 2,040,000	23%

All other categories of taxable income are subject to tax at the flat rate of fifteen percent (15%).

Deductions

Certain annual deductions from employment income and business income are available as follows:

- » six hundred thousand (600,000) ALL for annual income up to six hundred thousand (600,000) ALL;
- » four hundred twenty thousand (420,000) ALL for annual income between six hundred thousand (600,000) ALL and seven hundred twenty thousand (720,000) ALL;
- » three hundred sixty thousand (360,000) ALL for annual income exceeding seven hundred twenty thousand (720,000) ALL; and
- » forty-eight thousand (48,000) ALL for each dependent child under the age of eighteen (18) years.

In addition, for each dependent child under the age of eighteen (18) years, educational expenses may be deducted up to an amount of one hundred thousand (100,000) ALL, provided that the parent earns annual employment or business income not exceeding one million two hundred thousand (1,200,000) ALL.

PERSONAL INCOME TAX DECLARATION

All resident and non-resident individuals whose gross annual income reaches or exceeds one million two hundred thousand (1,200,000) ALL, or who are employed by more than one employer, or who earn income exceeding fifty thousand (50,000) ALL that is not subject to withholding tax, are required to complete and submit an annual income tax declaration.

The declaration must be filed with the Tax Directorate of the region in which the individual resides, no later than 31 March of the year following the tax period to which the declaration relates.

Where additional personal income tax is due, being the difference between the final tax liability and the amount of tax prepaid or withheld during the tax period, such tax must be paid no later than the filing deadline. Where the taxpayer has overpaid tax during the tax period, the excess amount is either reimbursed to the taxpayer or credited as a prepayment against the taxpayer's liability for the following year.

SOCIAL AND HEALTH INSURANCE CONTRIBUTIONS

Mandatory social insurance contributions are calculated on gross monthly salary within the range of forty thousand (40,000) ALL to one hundred seventy-six thousand four hundred fifteen (176,415) ALL. Mandatory health insurance contributions are calculated on the entire gross monthly salary of the insured employee. Both the employer and the employee are liable for the payment of social and health insurance contributions, at the rates specified below.

Self-employed persons are required to pay social insurance contributions on a minimum salary of forty thousand (40,000) ALL and health insurance contributions on an amount equal to double the minimum salary, being eighty thousand (80,000) ALL, at the rates specified below.

TABLE 11 CONTRIBUTION RATES:

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

LABOR LAW IN ALBANIA

GENERAL OVERVIEW

Employment relations in the Republic of Albania are primarily regulated by Law No. 7961, dated 12 July 1995, “On the Labor Code of the Republic of Albania”, as amended (hereinafter referred to as the “Albanian Labor Code”); Law No. 7703, dated 11 May 1993, “On Social Insurance in the Republic of Albania”, as amended (hereinafter referred to as the “Law on Social Insurance”); as well as other sublegal acts issued by the Albanian government to address various aspects of employment relations in line with ongoing social and economic developments.

Working Hours

According to the Albanian Labor Code, standard daily working hours may not exceed 8 hours, while standard weekly working hours must not exceed 40 hours. In certain cases, when required and approved by the employer, employees may perform overtime work. However, overtime may under no circumstances exceed 200 hours per year.

An employer cannot require an employee to perform overtime if the employee has already worked 48 hours in a given week. Only in exceptional cases, and for a period not exceeding four months, employees may work more than 48 hours per week, provided that the average weekly working time during this period does not exceed 48 hours.

The Albanian Labor Code also establishes restrictions regarding night work, particularly for minors (under the age of 18) and pregnant women, to ensure the protection of their health and well-being.

Compensation for Overtime Work and Work on Public Holidays and Week-ends

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

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

For overtime performed during public holidays or on weekends, monetary compensation is paid at a rate of at least 50% above the regular hourly salary. Likewise, time off in lieu must be 50% longer than the overtime performed.

If the Employee is required to work on a Public Holiday that falls on a working day, the Employee shall be compensated with an additional salary of at least 25% and with time off equal to the hours worked during the Public Holiday. The time off must be taken one week before or after the work performed. If the Employee is required to work during weekends, the Employee shall be compensated with an additional salary of at least 25% or with time off equal to the hours worked during the weekend, plus additional time off equal to at least 25% of the duration of the work performed.

Retirement Age

Pursuant to the Law on Social Insurance, as amended, the retirement age in 2025 is 65 years for men and 61 years and ten months for women. However, specific laws apply to certain occupations considered difficult, such as mine workers, who may retire at the age of 55.

Minimum Salary

According to Decision of the Council of Ministers No. 113, dated 1 March 2023, "On the Determination of the Minimum Wage in Albania", a new basic minimum monthly salary has been applicable since 1 April 2023. Under this Decision, the basic minimum monthly salary is set at ALL 40,000. This minimum salary is calculated based on 174 hours per month performed during normal working hours.

WORKING CONDITIONS

Obligations of the Employer

The employer must respect the fundamental rights of employees. The employer is required to protect employees' dignity; take appropriate measures to prevent moral and sexual harassment; maintain the confidentiality of employees' personal data and adopt adequate measures for this purpose; ensure that the workplace

is clean and safe for employees' health; refrain from controlling employees' personal belongings; keep an employee register; provide employees with a copy of the Labor Code; obtain the necessary administrative authorizations; maintain all required documentation regarding work-related accidents; ensure adequate air ventilation in the workplace; take measures to avoid excessive noise and vibrations; properly maintain work equipment and machinery; provide employees with the necessary tools to perform their duties; make food and water available during working hours; and maintain first aid equipment on the premises.

Obligations of the Employee

The Albanian Labor Code imposes various obligations on the employee, including the duty of loyalty to the employer; the duty to perform his or her work diligently and personally; the duty to comply with the employer's orders and instructions, unless such orders conflict with the provisions of the employment contract; the obligation to return to the employer any equipment provided during the term of employment; and the obligation to indemnify the employer for losses caused by the employee's negligent or fraudulent conduct.

Upon termination of the employment relationship, the parties may enter into a non-competition agreement for a period not exceeding one year. In such a case, the employer is required to pay the employee compensation of at least 75% of the salary he or she would have earned during that period had the employment relationship not been terminated.

Anti – Discrimination

Pursuant to the Albanian Labor Code, any act of discrimination against an employee with regard to employment rights is strictly prohibited. Discrimination is understood to mean any difference, exclusion, limitation, or prejudice based on gender, race, color, ethnicity, language, gender identity, sexual orientation, political, religious, or philosophical beliefs, economic, educational, or social status, pregnancy, parental affiliation, parental responsibilities, age, family or marital status, civil status, residence, health condition, genetic predisposition, disability, living with HIV/AIDS, trade union membership, membership in a specific group, or any other ground that prevents the equal exercise of employment rights and the freedom of profession.

However, precautionary measures or specific requirements relating to a particular function, when adopted by the employer in accordance with the Albanian Labor Code or other applicable normative acts, do not constitute discriminatory acts.

EMPLOYMENT CONTRACTS

Employment contracts may be concluded or modified either verbally or in writing between the employer and the employee. In the case of a verbal contract,

the employer must prepare a written document reflecting the agreement within seven days from the commencement of employment.

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

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

- a. the identity of the parties;
- b. the workplace;
- c. a general description of the job;
- d. the starting date of the employment;
- e. the duration, when the contract is for a fixed term;
- f. the duration of paid vacation;
- g. the notice period for termination of the contract;
- h. the components of the salary and the date of payment;
- i. the normal weekly working time;
- j. the applicable collective agreement;
- k. the probation period;
- l. the types and procedures of disciplinary measures when no collective agreement is in force.

The information required under points “f”, “g”, “h”, “i”, and “k” above does not need to be explicitly included in the employment contract, provided it is incorporated by reference to the respective provisions of the applicable law.

Termination of Employment Contracts

When the employee and the employer have entered into an employment contract for a fixed term, the contract shall terminate automatically at the end of its term, without the need for additional notice. If, after the expiry of the fixed term, the contract is tacitly extended, it will be deemed to be an employment contract of indefinite duration.

Accordingly, termination of such a contract shall be subject to the procedures applicable to indefinite-term contracts as set forth in the Albanian Labor Code.

Where the parties have entered into consecutive fixed-term contracts covering an employment period of at least three years, the non-renewal of the contract by the employer shall be treated as the termination of an indefinite-term contract. Fixed-term contracts between the same parties are considered consecutive even if there is a short interruption, provided that such interruption does not exceed three months between the termination of one contract and the execution of the next.

Pursuant to the Albanian Labor Code, the first three months of employment are considered a probation period. During this period, either party may terminate the employment contract by giving the other party at least five days' notice.

Termination of employment after the probation period is subject to specific procedures and requirements as provided in the Albanian Labor Code.

Before terminating any employment contract, the employer must provide prior written notification to the employee, indicating the intention to terminate the contract and the reasons for such termination. No earlier than 72 hours after delivery of this notice, a meeting must be held to discuss the employer's intention. The employee must then be informed of the final decision to terminate the contract, along with the reasons (such as performance, behavior, or operational needs of the employer), no earlier than 48 hours and no later than one week after the meeting.

If the employer fails to comply with this procedure, he or she is liable to pay the employee a penalty equal to two months' salary.

An employment contract of indefinite duration shall be considered terminated once (a) notice of termination has been delivered to the employee, and (b) the applicable notice period has elapsed, as set out below:

- » 2 (two) weeks if the employment has lasted up to 6 (six) months;
- » 1 (one) month if the employment has lasted from 6 (six) months up to 2 (two) years;
- » 2 (two) months if the employment has lasted from 2 (two) years up to 5 (five) years;
- » 3 (three) months if the employment has lasted more than 5 (five) years.

An employment contract may also be terminated with immediate effect for reasonable cause. Under the Albanian Labor Code, reasonable cause includes any serious circumstances that make the continuation of employment impossible.

Where termination occurs for unfair reasons—such as race, color, sex, age, civil status, pregnancy, religious belief, legal proceedings initiated by either party, or the employee's membership in a trade union—the employer may be liable to pay the employee compensation of up to one year's salary.

Furthermore, pursuant to the Albanian Labor Code, the employee is entitled to a seniority bonus when the employment contract is terminated by the employer and the employee has served for at least three years. The employee is not entitled to a seniority bonus when the contract is terminated with immediate effect for reasonable cause. The seniority bonus shall not be less than half of the employee's monthly salary for each year of service.

Collective Dismissal

Under the Albanian Labor Code, *collective dismissal* refers to the termination of employment initiated by the employer for reasons unrelated to individual employees, where, within a 90-day period, the number of terminated employees is at least:

- » **10 employees** in enterprises with up to 100 employees;
- » **15 employees** in enterprises with 101 to 200 employees;
- » **20 employees** in enterprises with more than 200 employees.

An employer planning a collective dismissal is required to notify employees in writing. This notification must also be addressed to the workers' association. If no such association exists, the notice must be made publicly available within the workplace, in a location visible to all employees. The written notice must include the following information:

- » The reasons for the termination;
- » The number of employees to be dismissed;
- » The current total number of employees;
- » The time period during which the collective dismissals are expected to occur.

A copy of this notice must also be submitted to the Ministry responsible for labor.

Unless the employer voluntarily sets a longer timeline, a **30-day consultation period** begins from the date of the notification. During this period, the employer must engage in discussions with the employee representative body—or with the employees directly, if no such body exists. The objective is to explore ways to:

- » Avoid or reduce the number of dismissals;
- » Mitigate the consequences of the dismissals.

Upon conclusion of this consultation process, the employer must notify the Ministry of the outcome. If no agreement is reached, the Ministry will attempt to mediate and facilitate a resolution within 30 days of being informed. However, the Ministry **cannot prevent** the collective dismissal from proceeding.

Following the consultation period, the employer must provide individual termination notices to the affected employees, which will take effect after the statutory notice period.

If the employer fails to follow the prescribed collective dismissal procedures, they are obligated to compensate each affected employee with:

- » **Six months' salary**, in addition to:
 - o Any salary owed during the notification period, and
 - o Any compensation required due to breaches of the notification timeline under the Labor Code.

Employees who have been employed by the same employer for at least **three years** are entitled to receive a **seniority bonus** upon termination through a collective dismissal.

HOLIDAYS/PAID LEAVE

(ANNUAL AND OTHER LEAVE)

Annual Leave

The employee is entitled to annual leave of not less than 22 working days. Annual leave must be taken no later than three months after the start of the following year. If the employee has worked for the employer for less than one year, the duration of annual leave shall be determined proportionally to the length of service. Public holidays are not included in the calculation of annual leave. If a public holiday falls during the annual leave, the leave shall be extended by one additional day.

Paid leave

The employee is entitled to five (5) working days of paid leave, separate from the annual vacation, in the event of the employee's marriage or the death of a spouse/partner, direct descendants, or ascendants. In the case of the birth of a child, the father is entitled to three (3) working days of paid leave. Additionally, the employee may be granted unpaid leave of absence, not exceeding thirty (30) consecutive days, in the event of severe illness of a family member (partner, direct ascendants, or descendants), provided that the illness is substantiated by a medical certificate.

Illness

If the employee is unable to work due to illness, the employer shall pay not less than 80% of the employee's salary for the initial 14-day period not covered by Social Insurance. The illness must be substantiated by a medical certificate, and

if required by the employer, the employee shall undergo a medical examination by a doctor appointed by the employer. Notwithstanding the above, the employee loses the right to payment if he/she refuses, without justified cause, to undergo a medical examination requested by the employer.

National Holidays

In Albania, the following public holidays are observed:

- » New Year (1 and 2 January)
- » Summer Day (14 March)
- » Nevruz Day (22 March)
- » Catholic Easter and Orthodox Easter (variable dates)
- » Workers' Day (1 May)
- » Bajram (two variable days)
- » Mother Theresa Day (5 September)
- » Day of Alphabet (22 November)
- » National Independence and Liberation Day (28 and 29 November)
- » Youth Day (8 December)
- » Christmas (25 December)

If a public holiday falls on a day off, the following working day shall be observed as a public holiday.

ACQUISITION AND REGISTRATION OF IMMOVABLE PROPERTY

Registration of Immovable Property in Albania

Law No. 111/2018 “On Cadaster”, dated 07.02.2019, governs the public service of immovable property registration, the organization of the competent authorities, and the administration of the cadaster as a public register of immovable properties.

In terms of registration procedures, the law does not introduce any significant changes compared to the previous legal framework, namely Law No. 33/2012 “On the Registration of Immovable Properties”, as amended.

Based on Law No. 111/2018 “*On Cadaster*”, the State Agency of Cadaster is the central public authority responsible for administering the state cadaster and providing related public services. It operates through the General Directorate at the central level and Local Directorates at the territorial level.

Initial Registration

According to Article 30, the initial registration of a property is carried out within a cadastral zone under the competence of the relevant Local Directorate. The Local Directorate also registers property titles arising from transactions between private parties, court decisions, or acts issued by other public authorities.

Content of the Cadaster Register

The cadaster register contains comprehensive information on each immovable property, including:

- » the owner's identity,
- » the value and identification number of the property,
- » its surface and boundaries,
- » the date of registration and the ownership acquisition deed, and
- » maps showing the property's location.

Additionally, the register records any mortgage, easement, court dispute, restriction order, right of use, or any other right connected to the immovable property that is transferred to a third party.

Filing and Chronology of Transactions

Any contract or legal instrument involving an immovable property must be filed with the competent Local Directorate within **30 days** of execution. The Local Directorate shall refuse to register any subsequent act that lacks chronological continuity or would result in overlapping titles.

Certificates

Upon request of the owner or right-holder, the Local Directorate issues the relevant certificate (e.g., ownership, usufruct, easement, or rent).

Temporary and Permanent Registration

A property registered for the first time is subject to **temporary registration**, valid for **45 consecutive days**. During this period, any interested party may submit claims or requests for correction of errors. Claims filed after the expiry of this period will not be considered.

- » If no claims are submitted, or if submitted claims are settled amicably, the property is classified as **permanently registered**.
- » If disputes remain unresolved, the case is referred to the competent court.

GOVERNMENT CONTROLS

COMPETITION LAW

Albania's competition protection system is governed by Law No. 9121 “*On the Protection of Competition*”, as amended (the **Competition Law**), which entered into force on 1 December 2003. The law is designed to harmonize the Albanian competition system with the *acquis communautaire*. The Albanian Competition Authority (**ACA**) is the competent authority entitled to perform *ex ante* and *ex post* investigations of market operations from a competition law perspective.

The pillars of the Competition Law, which largely follow EU competition legislation, are the prohibition of restrictive agreements, the prohibition of abuse of dominant positions, and the control of concentrations that harm competition in the market, when carried out by “undertakings.”

For the purposes of this law, any domestic or foreign natural person, and any public or private legal entity engaged in commercial activity, shall be considered an undertaking, provided that its activity has an impact on the Albanian market.

AGREEMENTS RESTRICTING COMPETITION

Competition Law prohibits agreements that have as their object the prevention, restriction, or distortion of competition in the market, unless they meet the conditions for an exemption granted by the ACA, either individually or by category.

In addition, the law incorporates the *de minimis* rule, under which agreements are

considered not to significantly affect competition and may be exempted from prohibition where:

- » The combined market share of the undertakings participating in the agreement does not exceed 10% of the relevant market where they compete actually or potentially, or
- » The combined market share does not exceed 15% of the relevant market where the participants are not competitors.

Undertakings are obliged to notify restrictive agreements to the ACA, which will then decide whether such agreements are prohibited under the Competition Law.

CONTROL OF CONCENTRATIONS

The Competition Law provides that concentrations of undertakings involving a lasting change of control must be notified to the ACA for authorization when the notification thresholds are met. Such concentrations may arise through:

1. The merger of two or more undertakings or parts of undertakings independent of each other;
2. The acquisition of direct or indirect control by:
 - One or more natural persons who already control at least one other undertaking, or
 - One or more other undertakings or parts thereof, whether by purchase of shares or assets, by contract, or by any other legal means;
3. The acquisition of direct or indirect control of one or more undertakings or parts thereof;
4. The creation of a joint venture that does not have as its object or effect the coordination of competing activities between two or more independent undertakings.

The notification must be filed within 30 days of the conclusion/signature of the relevant agreement (merger, acquisition of control, or creation of a joint venture) or the announcement of any public bid.

The notification thresholds are met when:

- » The combined worldwide turnover of all participating undertakings exceeds ALL 7 billion, and the domestic turnover of at least one participating undertaking exceeds ALL 200 million, or

- » The combined domestic turnover of all participating undertakings exceeds ALL 400 million, and the domestic turnover of at least one participating undertaking exceeds ALL 200 million.

The Competition Law outlines both preliminary and in-depth procedures for the ACA's assessment of concentrations. In the preliminary phase, the ACA examines the notification to determine whether the concentration "reveals signs of substantial restriction of competition in the market or in a part of the market, particularly as a result of the creation or strengthening of a dominant position." At this stage, the ACA may either allow the concentration subject to conditions and obligations or proceed to an in-depth review. In the latter phase, the ACA assesses whether the concentration substantially restricts competition in the market or in a part of the market, especially due to the creation or strengthening of a dominant position.

ABUSE OF DOMINANT POSITION

Possession of a dominant position is not prohibited in itself; what is prohibited is the abuse of such a position. The law recognizes two forms of dominance: single dominance, which is held by one undertaking, and collective dominance, which is held by several undertakings acting together. A dominant position is defined as an economic power held by one or more undertakings that enables them to impede effective competition in the market and to behave, with respect to supply and demand, independently of competitors, clients, and consumers.

Competition Law sets out a non-exhaustive list of criteria to be taken into account when assessing whether a dominant position exists and whether abusive behavior is present. By way of illustration, such behavior may include practices such as fixing unfair purchase or selling prices or engaging in discriminatory treatment of market participants.

BOGA & ASSOCIATES - SERVICES AT A GLANCE

Founded in 1993, Boga & Associates is one of the leading law firms in Albania and Kosovo, recognized for delivering top-tier legal, tax, and accounting services. Until May 2007, the firm was a member of KPMG International, with Mr. Genc Boga serving both as Senior Partner/Managing Partner of the firm and as Managing Partner of KPMG Albania.

What sets Boga & Associates apart is its **multidisciplinary approach**. In addition to its well-established legal practice, the firm offers significant expertise in tax and accounting services, always adapting to the fast-evolving business landscape in Albania and Kosovo.

The firm's strength lies in its **dedicated team of attorneys and professionals**, who bring together a broad range of skills and experience. This commitment to excellence enables Boga & Associates to consistently provide high-quality and tailored solutions for its clients.

With its diverse capabilities, the firm serves **leading businesses across a wide range of industries**, including:

- » Banking and financial institutions
- » Insurance
- » Construction, energy, and utilities
- » Entertainment and media
- » Mining, oil, and gas
- » Professional services
- » Real estate
- » Technology and telecommunications
- » Tourism, transport, and infrastructure
- » Consumer goods

Boga & Associates provides its clients with **comprehensive legal, tax, and accounting support** for doing business in Albania and Kosovo. Over the years, the firm has advised on privatizations, concessions, real estate transactions, business formations, credit facilities, as well as customs and tax matters—all with a deep understanding of the evolving business environment.

EXPERTISE

Legal

- » Corporate and M&A
- » Banking and Finance
- » PPP & Concessions
- » Project Finance
- » Data Privacy & Cybersecurity
- » Consumer Protection & Product Liability
- » Employment
- » Environment
- » Intellectual Property
- » Electronic Communications
- » Litigation & Alternative Dispute Resolution
- » Real Estate

Tax

- » Tax Advice
- » Tax Audit Services
- » Tax Compliance

Accounting

- » Bookkeeping Services
- » Accounting Services
- » Forensic Services

BOGA & ASSOCIATES - AWARDS AND RANKINGS IN INTERNATIONAL LEGAL DIRECTORIES

For more than two decades, **Boga & Associates** has been consistently ranked among the leading law firms by the world's most prestigious legal directories, including *Chambers & Partners*, *The Legal 500*, *IFLR1000*, *WTR1000*, *ITR World Tax*, and *Benchmark Litigation Europe*. These institutions conduct extensive annual research, engaging with clients and peer firms to provide a comprehensive view of the global legal market. Our lawyers—and the practices they have built—are regularly recognized as **market leaders**.

Boga & Associates has established an **exceptional track record** of earning top-tier rankings. These accolades not only reflect the firm's outstanding achievements but also highlight the excellence of our work on significant and complex transactions. They acknowledge the strength of our client relationships, the scale and breadth of our expertise, the caliber of our professionals, and the **legal innovation** that ensures the success of the matters we handle.

BOGA & ASSOCIATES

A Top-Tier Law Firm



bogalaw

LEGAL · TAX · ACCOUNTING

Green Park Buildings
Ibrahim Rugova Str. 40/3
1019 Tirana, Albania
PO Box 8264, Tirana
Tel: +355 4 2251 050

Dukagjini Center
Xhevdet Doda Str. 21
Entry B/4, Suites B1, B2
10000 Pristina, Kosovo
Tel: +383 38 725025

Email: boga@bogalaw.com
Web: www.bogalaw.com