

BOGA & ASSOCIATES

LEGAL • TAX • ACCOUNTING

INVESTMENT IN ALBANIA

14TH EDITION

2020

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Dear reader,

This publication presents an overview of matters to be considered by those thinking of investing or doing business in Albania. The information presented in this publication has been carefully researched and all efforts have been taken to ensure the information is correct and reflects the current situation as of January 2020, unless otherwise stated.

Investment in Albania offers a brief look into the history and development of the political, economic and social structures of Albania that have shaped and now define Albania. Albania is rich in history and culture, has bountiful natural resources and immeasurable beauty. The combination of these assets demonstrates the overwhelming potential for investors and will, for certain, sustain the continuous growth of the Albania economy.

Due to constant change in Albania, it is important to obtain further current information before making any investment decision. We would appreciate the opportunity to assist you in planning and implementing your investment in Albania.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Genc Boga' with a stylized flourish at the end.

Genc Boga
Managing Partner

Boga & Associates

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GENERAL INFORMATION

FAST KEY FACTS

Location

South East Europe

Area

28,748 sq. km

Capital

Tirana (est. population around 883 996)

Population¹

2.862.427 (as of year 2018)

Avg Age

35.4 yrs

Language

Albanian

Climate

Mediterranean & Continental

Avg Temp

6.8 °C – 23.9 °C

Annual FDI Inflows (2018)

USD 1.1 billion

¹ Source: Institute of Statistics (INSTAT).

INFORMATION SPACE

Albania's main relevant partners in economic development:

- World Intellectual Property Organization (WIPO) (1992);
- World Trade Organization (WTO) (2000);
- EU Stabilization Association Agreement (SAA) (2009)
- North Atlantic Treaty Organization (NATO) (2009)
- FTA, CEFTA, EFTA;
- Albania presented its application for membership in the European Union (2009);
- EU Candidate Status for Albania (June 2014).

Main International Organizations and Financial Institutions present in Albania since early 1990s:

- International Monetary Fund (IMF);
- World Bank;
- United Nations Development Program (UNDP);
- European Bank for Reconstruction and Development (EBRD)
- Islamic Development Bank.

GEOGRAPHY AND CLIMATE

Albania is situated in southeast Europe in the west of the Balkan Peninsula and covers an area of 28,748 sq. km. Albania borders Montenegro and Kosovo to the north and northeast, North Macedonia in the east and Greece to the south. Albania occupies an important strategic location in the Balkans with access to the Adriatic and Ionian Seas in the west. The terrain is mostly mountainous. The average altitude of 708 meters is about twice the European average. The country offers numerous beautiful landscapes, archaeological sites, historic castles and other tourist attractions. The climate is Mediterranean with hot dry summers and cool rainy winters. Albania is in the Central European time zone and is therefore one hour ahead of GMT. Between April and October it moves over to daylight saving time, i.e. GMT +2.

POPULATION AND LANGUAGE

Resident Population

The Albanian Institute of Statistics² reports that the population of Albania on 1 January 2019 was 2,862,427 inhabitants, marking a decrease of 0.3% inhabitants in comparison with 2018. The sex ratio is 100.1 males to 100 females.

Urban and Rural Areas

The Population and Housing Census of 2011³ shows that, for the first time in the history of population censuses in Albania, the population in urban area is larger than in rural areas. The 2011 Census data show that 53.5% of population lives in urban areas and 46.5% in rural areas.

Language

The official language is Albanian, a language which belongs to the Indo-European family of languages. Italian and English are the most commonly spoken foreign languages in the country.

Data from the Population and Housing Census of 2011 show that approximately 98.8% of the enumerated population speaks Albanian, 0.5% speaks Greek, 0.5% other (including Macedonian, Roma, Aromanian, Turkish, Italian and Serbo-Croatian), and 0.1% unspecified.

CURRENCY

Albania's official currency is the Lek (ALL). The Bank of Albania (BoA) determines, approves, implements and retains control over monetary policy. BoA's Monetary Policy Document of 2019 states that the Bank's main objective of the monetary policy is to achieve and maintain price stability. The Document

² Source: *Institute of Statistics (INSTAT)*.

³ Source: *Population and Housing Census 2011* (<http://instat.gov.al/all/census.aspx>).

says that BoA is committed to achieving and maintaining annual inflation of 3.0% in the medium term⁴.

According to the BoA, the third quarter of the year 2019 has been characterized by an appreciation of the domestic currency against the European currency. The appreciation of the Albanian Lek in nominal effective terms peaked at 1.1 % in the third quarter of the year. The effective annual appreciation continued to narrow, reaching 2.2% in September from 5.5% in June 2019.

The exchange rate according to the BoA on 14 January 2020 was 1 USD = 109.50 ALL and 1 EUR = 121.85 ALL.

GOVERNMENT AND POLITICAL SYSTEM

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

The country is divided into 12 administrative counties. The Council of Ministers elects prefects to be its representatives in the regions. Local elections are held every four years to elect district councils. Each Council appoints a District Governor. City mayors are directly elected by public ballot.

On 31 July 2014 the Albanian Parliament passed Law No. 115/2014 "On the Administrative and Territorial Division

⁴ Source: Bank of Albania, *Monetary Policy Document*, November 2019.

of Local Government Units in the Republic of Albania”, which reorganizes the previous 384 municipalities to 61 local government units. The 61 local government units were constituted after the June 2015 elections.

A BRIEF HISTORY OF ALBANIA

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

At the end of the 14th and the beginning of the 15th century, the Ottoman Empire expanded towards the Balkans and Albania became a battlefield. Between 1443 and 1468, Gjergj Kastriot Scanderbeg, today a national hero, united the Albanian provinces and organized a successful revolt which kept the Ottomans out of Albania for 25 years. Following the death of Scanderbeg, the Ottoman Empire gained control for about five centuries. Albania declared its independence in 1912. The present borders of Albania were approved by the London Conference of Ambassadors in 1913.

In 1928, Ahmet Zogu declared Albania a kingdom and thus became “Zogu I, King of the Albanians”. He fled the country in April 1939, when Italy invaded Albania. After the surrender of Italy, the Germans occupied Albania until the end of 1944. The Albanian Communist Party, later called the Labor Party of Albania (PPSH), led by Enver Hoxha, came to power after the defeat of the Germans at the end of World War II. Like much of Eastern Europe, for some 45 years, Albania was under the rule of a ruthless totalitarian regime. All farms and small

industries were nationalized and the whole economy was centrally planned and managed through larger-scale state enterprises. Albania cut its economic and diplomatic relations with other major communist powers, first with the Soviet Union in the early 1960s, and then with China at the end of 1970s, becoming totally isolated from the rest of the world. Inefficiency, mismanagement of the economic system, and a disregard for human rights hindered the country's development. With the fall of the Berlin Wall in late 1989, and the major political changes which swept through the eastern bloc countries in the early 1990s, Albania set out on the road of transition towards a democratic society and a free market economy.

INFORMATION SPACE:

EU Candidate Status for Albania

Albania applied for the EU membership in April 2009 and at the General Affairs Council meeting on 24th of June 2014 in Luxembourg, Ministers from the EU Member States have agreed – based on the recommendation by the European Commission to grant EU candidate status to Albania.

The granting of candidate status was the result of Albania's reform efforts in recent years and acknowledgement of the EU for the efforts made and the progress achieved on Albania's accession road. In November 2016, the Commission recommended opening accession negotiations with Albania due to the progress in implementing the Justice Reform, particularly the re-evaluation of judges and prosecutors (known as the "Vetting" process). In April 2018, the Commission issued an unconditional recommendation to open accession negotiations. In June 2018, the Council set out the path towards opening accession negotiations in June 2019, depending on progress made in key areas such as the judiciary, fight against corruption and organized crime, intelligence services and public administration.

On 18th of June 2019, the European Council decided to postpone the decision for opening of negotiations no later than October 2019. The European Council on 17 - 18 October 2019, decided to revert to the issue of enlargement before the EU-Western Balkans summit in Zagreb in May 2020.

A constructive and sustainable political dialogue will remain essential to consolidate

and continue reforms. The European Commission will continue to work closely among Albanian institutions to support and monitor the progress of Albania with regard to judicial reforms.

The candidate status nevertheless raises the relationship between Albania and the EU to a higher level:

Albania now receives invitations to Council meetings open to candidate countries. Its access to and cooperation with EU agencies is easier – for example its participation in the Fundamental Rights Agency as an observer. Joint Committees between Albania and the Committee of the Regions as well as the Economic and Social Committee may also be set up.

Source: European Commission; European Council

VISA SYSTEM FOR FOREIGNERS TRAVELING TO ALBANIA

Albania is relatively easy to access. Before traveling to Albania, foreigners should contact the diplomatic and consular representations of the Republic of Albania in their home country to check if the rules have changed. Foreign citizens can enter the Republic of Albania on presenting valid passports and entry visas issued by diplomatic or consular representatives of the Republic of Albania based abroad. The passport should be valid for at least three months after the expiry of the visa.

Exempted from the obligation to obtain an Albanian visa (for a residence up 90 days within 180 days) are holders of a valid multiple entry visa/residence permit issued by a country part of the Schengen Agreement or holders of a valid multiple entry-exit visa/valid residence permit issued by the United States of America or Great Britain and Northern Ireland, provided that visas have been previously used in these countries, the foreign citizens that may enter into countries of the Schengen Agreement without a visa as well as the foreign citizens of some other countries as noted in Tables 1 and 2 below.

VISAS

Visa types are the following:

Type A:

Airport transit visa with one entry which allows the holder to remain in the international zone of the airport until the departure of their flight to their final destination.

Type C:

Short term residence visa which allows the holder to remain in the Albanian territory for up to 90 days of a 180 day period.

Type D:

Long term residence visa, valid for one year, which allows the holder to stay in Albania for up to 90 days of a 180 day period and to apply for the issuance of a residence permit.

Foreigners entering the Republic of Albania without a visa may stay within the Albanian territory for up to 90 days of a 180 day period.

Holders of ID Cards

EU citizens and foreign citizens of the countries noted in Table 1 can enter the Republic of Albania without an entry visa by presenting only a valid ID card at the border crossing point. Foreign citizens must have enough funds to sustain themselves during their stay in Albania.

Table 1

Australia	Canada	North Macedonia	Kosovo
Hong Kong*	Islands	Kazakhstan*	New Zealand
Liechtenstein	Monaco	Montenegro	Singapore

Norway	San Marino	South Korea	Bosnia- Herzegovina
Switzerland	USA	Vatican	

**Citizens of countries marked with (*) in order to obtain a residence permit in Albania must obtain a long staying term Visa type "D".*

Holders of Ordinary Passports

Foreign citizens who hold of ordinary passports can enter Albania without an entry visa if they are EU citizens, or citizens of countries listed in Table 1 above, or citizens of countries listed in Table 2 below. They have to present their valid passports at the border crossing point, and are allowed to stay for up to 90 days of a 180 day period. Foreign citizens must have enough funds to sustain themselves during their stay in the Republic of Albania.

Table 2

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

**Citizens of countries market with (*) in order to obtain a residence permit in Albania must obtain a long staying term Visa type "D".*

Holders of Diplomatic and Service Passports

Foreign citizens, who hold diplomatic or service passports from the countries listed in Table 1 and Table 2, from countries with which there is a bilateral agreement, as well as from those countries listed in Table 3, can enter the Republic of Albania without a visa. Such citizens are allowed to stay in Albania for up to 90 days of a 180 day period.

Table 3

Algeria	China	Costa Rica
Egypt	Moldova	Russia
South Africa	Uruguay	Vietnam

EMPLOYEMENT OF FOREIGNERS

Work Permits

The authority empowered to issue work permits is the General Directorate of the National Labor Service or the Labor Office of the relevant territory, part of the Ministry of Finance and Economy.

Foreigners working in the Republic of Albania, depending to the specific case, must obtain a work permit or a work registration certificate.

The following categories of foreign workers are exempted from either obligation:

- a.** Citizens of those countries which are part of the EU Schengen area, US citizens, Kosovo citizens and Serbian having Albanian ethnicity, have the same employment rights as Albanian citizens, except where the legislation in force requires Albanian citizenship for the job position;

- b.** The working foreigner is only staying for one month in any one year in case of: (i) foreigners who are negotiating an agreement or supervising a trade event stall; (ii) business visitors; (iii) crew members of ships or aircrafts; (iv) lecturers, researchers or foreign specialists who come into Albania pursuant to agreements between governments, governments and educational institutions or private sector parties and educational institutions; (v) educators who come into Albania pursuant to bilateral governmental agreements or agreements concerning educational institutions; (vi) employees of humanitarian organizations active in Albania pursuant to international programs of cooperation.

To obtain a work permit, the following documents must be filed:

- 1.** Standard application form completed and signed by the foreign citizen;
- 2.** A National Business Center extract confirming the employer's registration;
- 3.** The applicant's employment contract;
- 4.** A copy of the passport of the applicant;
- 5.** Document showing adequate accommodation in the country (e.g. lease contract);
- 6.** Certificate issued by the tax authorities that the employer has no outstanding tax obligations;
- 7.** Last month's declaration of the employees filed by the employer with the competent authorities;
- 8.** Five photos.

The above documents might vary depending on the type of work permit requested.

The application file should be submitted to the General Directorate of the National Labor Service or the Labor Office of the relevant territory. The Directorate/Labor Office must notify its decision on issuance of the work permit within 30 days from

the date of submission of the documentation; in practice, the work permit is usually issued within the said term.

The official fee to be paid for the work permit is ALL 6,000 (approx. EUR 50).

RESIDENCE OF FOREIGNERS

The competent authority for the issuance of residence permits for foreigners is the Border and Migration Department part of the General State Police Directorate.

The following types of residency permits can be issued by the Albanian migration authorities:

Type A:

Non-renewable residence permit which allows the holder to stay in the Republic of Albania for its term of validity.

Type B:

Renewable residence permit which allows the holder to stay in the Republic of Albania for its term of validity.

Type C:

Permanent residence permit.

Type S:

Residence permit issued to seasonal workers for periods of six months.

Type Card Blue AL:

Renewable residence permit issued to highly qualified employees.

Type Card Blue AL-C:

Permanent residence permit issued to highly qualified employees.

The application for a residence permit or for the renewal of the same should be submitted respectively, not later than 30 days after the entrance in the Albanian territory and up to 60 days prior to the expiry of the relevant residence permit.

The residence permits are issued for a period of:

- a.** Three months, six months and one year (renewable up to five consecutive times);
- b.** Two years (renewable only once);
- c.** Permanent, if the foreigner has had legally resided in Albania for five consecutive years;
- d.** Five years according to the provisions of the law.

Residence permits of type Card Blue AL can be issued for an initial period of two years and renewed for a term of three years.

US citizens can reside in the Republic of Albania for up to one year without the obligation to obtain a residence permit and the initial residence permit for a US citizen can be issued for a term of up to five years.

In order to obtain a residence permit, the following documents must be submitted at the foreign citizen's local Police Station:

- 1.** Application form for the residence permit completed and signed by the applicant;
- 2.** Passport of the applicant as well as copies of those pages bearing official notes (the passport should be valid for at least three months after the expiry of the residence permit's term);
- 3.** Legalized criminal record certificate of the applicant obtained in the country of origin issued in the last six months;
- 4.** Lease contract for the premises where the applicant

is residing or any other document showing adequate accommodation in the country;

5. Three photos;
6. Document proving insurance in Albania;
7. Copy of the Employment Contract.

The above documents might vary slightly depending on the type of residence permit requested.

The official fee for issuance of the one year duration residence permit, payable to the local Police Station is ALL 10,000 (approx. EUR 82).

While the application regarding the work permit may be submitted by an authorized person, the foreign citizen applying for the residence permit must be personally present to submit their documents. The residence permit will be issued within 60 days from the application date.

In order to obtain a work and/or residence permit, all official documents executed abroad or issued from foreign public authorities (including notary deeds or certifications) should be legalized with apostille in accordance with The Hague Convention of October 1961 (if applicable) or through the long legalization procedure.

They will then be translated into the Albanian language and notarized by a public notary.

ACCOMMODATION

Tirana offers the best opportunities for accommodation. Almost all the major hotels and well-known restaurants accept credit cards. However, Albania remains predominantly a cash society and most payments in shops, restaurants, etc., are settled

in cash. A good source of information on hotels throughout Albania and their respective rates is: www.albania-holidays.com. Foreign citizens who plan to stay longer in Albania can rent houses and apartments. The monthly rental cost for a 70 sq. meter apartment situated in the heart of Tirana is approximately EUR 400. There are several real estate agencies operating in Tirana, although the market is under-developed.

The best way to find good accommodation is through Albanian colleagues or the international community.

Good restaurants, which are widespread in Tirana, usually offer Italian cuisine combined with Albanian specialties.

WORKING HOURS

The public administration works five days a week from 08.00 to 16.30 hrs Monday through Thursday, and from 08.00 to 14.00 on Friday. Banks are open from 08.30 to 15.30 hrs and most shops open every day from 09.00 to 20.00 hrs.

TRANSPORTATION

The only operating international airport in Albania is Tirana International Airport, named after 'Mother Theresa', which is about 20 minutes' drive from Tirana. Taxis are easy to arrange, but prices should be negotiated in advance. A one-way taxi journey into the city costs approximately EUR 15.

TELECOMMUNICATION

Mobile communication services are offered by three operators: Telekom Albania, Vodafone Albania and Altelecom, providing coverage across almost the entire Albanian territory.

ECONOMIC SITUATION OVERVIEW

BASIC MACROECONOMIC INDICATORS

Recent Economic Developments

Situated at a natural crossroad of Europe's major transit corridor, Albania boasts a strong strategic, economic and geographic position. Described as a reforming country with a focus on the ease of doing business, free markets, low taxation and powerful incentives, as well as a motivated, educated and cost-competitive work force, Albania is considered a vital and interesting country to invest in by foreign trade partners. For some years, the Albanian economy has been moving quickly towards a more open and liberal model with inward investment playing a key role in the overall economic transformation.

Albanian's economy expanded 2.2% in 2019 and its main economic growth contributor continues to be domestic demand, which is supported by private consumption and private investments. According to the Bank of Albania, private consumption growth was stimulated by the favourable financial conditions, employment expansion, utilization rate of capacities and positive performance of tourism. Private consumption grew by 2.3 % being supported by the increase of employment and eased lending conditions as well. Total investments increased by 1.8% supported by investments in construction whilst the deceleration on imports of capital goods and industrial transport equipment suggest for a negative contribution of investments in new machinery and equipment. Annual inflation averaged 1.4% reflecting a reduction compared to previous year. According to World Bank publications, Albania reached a record low of 11.5% regarding unemployment in 2019. Nevertheless, year 2020-2021 is forecasted to experience growth, inducing further growth of employment, wages as well as of indoor inflation pressures.

Albanian's economy has grown over the period 2000-2019,

even though the growth rates have fluctuated throughout the years. The main underlying growth factors in this period were the shift of sources from less productive sectors (agriculture) towards more productive ones (services and construction), increasing adoption of technology, high support with bank credit, and low base at the start of economic growth. In terms of aggregate demand, economic growth during this period was driven by high private investment and consumption levels, whereas exporting remained weak.

Albanian's economy growth in 2019 was projected to slow to 2.9% as a decline in rainfall cut hydroelectric power production. However, referring to statistics published by the Albanian Institution of Statistics, the general domestic product in the second quarter of 2019 experienced a growth to 2,31% marking a deceleration compared to 3.3% in the first quarter. Most prime economic growth contributor continues to be domestic demand, which is supported by private consumption and private investments, supported among other factors, by favorable financing conditions and the expansion of bank credit. Private consumption grew by 2.3%, supported by the increase of employment wages, while monetary improvements and policies driven by the Bank of Albania have facilitated credit growth.

Annual inflation averaged 1.4% in 2019, reflecting a decrease compared to the previous year (2.0%) and continuing to remain below the 3% target of the Bank of Albania. Domestic factors, such as the expansion of aggregate demand, decrease of unemployment which reached a record low of 11.5% and the inflation reduction of agricultural items prices affected in the decrease of the inflation. On the other hand, the exchange rate appreciation and the slowdown of inflation in other partner countries contributed to the decrease of imported inflation.

The main contributors of inflation continue to be food items, both processed and unprocessed, comprising more than 70% of the overall inflation. Unprocessed Foods contributed to 60% of overall inflation, afflicted by seasonal behaviour but

remaining on moderated fluctuations. Meanwhile, Processed Foods marked an increase, contributing with approximately 0.1 point % showing a different performance compared to the first quarter of 2019.

According to the World Bank, economies in the region are seeing a falter, as investments and exports continue to fade. Even though Albania and other countries of the region are expected to grow, the economy remains slightly low compared to previous years.

Sources: World Bank, Bank of Albania, NSTAT.

Table 4

	Growth rate, 2017-21f, percentage				
	2017	2018	2019e	2020f	2021f
Albania	3.8	4.1	2.9	3.4	3.6
Bosnia and Herzegovina	3.2	3.6	3.1	3.4	3.9
Kosovo	4.2	3.8	4.0	4.2	4.1
North Macedonia	0.2	2.7	3.1	3.2	3.3
Montenegro	4.7	4.9	3.0	2.8	2.7
Serbia	2.0	4.2	3.3	3.9	4.0
Western Balkans	2.6	3.9	3.2	3.6	3.8
EU28	2.5	2.0	1.4	1.3	1.4

Source: World Bank

Macroeconomic Indicators

The Bank of Albania reports that in the second half of 2019 the Albanian economy is seeing a slow-down, however the Bank of Albania expects the strengthening of economy, relying on the positive performance of employment as well as on the expectation for higher pressure on manufacturing costs and then inflation.

Table 5

Macroeconomic indicators					
	2014	2015	2016	2017	2018
Inflation (Y-o-Y)					
Headline inflation, in %	1.63	1.9	1.3	2.0	2.0
Economic Growth					
Real GDP growth, n %*	1.45	2.74	3.46	3.9	3.9
GDP (at current prices, in ALL million)	1,400,549		1,478,400		
Labour market					
Number of employed (in thousands)	947.0	1,051	1,157		
Unemployment rate according to the survey	17.40	17.4	15.2	13.9	12.4
External sector					
Current account (as a percentage of GDP)	-12.1	-9.8	-9.6	-8.1	-5.7
Imports of goods (fob as a percentage of GDP)	36.6	35.9	30.8	31.3	29.4
Export of goods (fob as a percentage of GDP)	18.6	17.4	6.6	6.9	7.7
FDI inflows (as a percentage of GDP)	8.3	9.3	9.1	7.7	8.0
International reserve (in EUR million, end of period)	2,192	2,880	3,108	2,996	3,399
Repo rate (end of period)	2.25	1.75	1.25	1.25	1.00
M3 aggregate (annual growth, end of period)	4	1.9	3.9	0.3	-0.2
Lending to the private sector (annual growth, end of period)	2	2.3	2.4		

Source: BoA's Monetary Policy Report, January 2018

Fiscal Indicators

Fiscal policy was consolidating during 2019. Fiscal policy showed a consolidating trend during 2019, though a decelerated progress. In June 2019, the primary surplus showed negative performance, amounting at ALL -3.27 billion, contrary to last year when the surplus was estimated positively. In relative terms, the budgetary deficit was 0.2 percentage of GDP, affected by the positive performance of budgetary revenues (by 3.8%) compared to the increased budgetary expenditures (by 6.2%). Consequently, the budgetary deficit for 2019 represents a slowdown trend than in the previous year.

Budgetary growth was mainly supported by personal tax revenue, in contrast with the value added tax which had a negative performance, contributing with approximately 0.7 point % in the second quarter of 2019. According to the World Bank, fiscal revenue growth was constrained by lower GDP growth and especially by the increased repayment of value added tax refund arrears. For 2019, the budget deficit was anticipated to widen to 2.2% of GDP, while the public debt was expected to decrease to 68.4% of GDP.

On the other hand, the Council of Ministers⁵ has adopted a decision regarding macroeconomic and fiscal framework for 2020-2022, postulating the objectives and aims of the Council of Ministers regarding the main fiscal policy indicators as well as accommodating fiscal policies to decrease budgetary debts below 60% within 2021, continuing its reduction to 57.3% in 2022.

Source: World Bank, Bank of Albania - Report of Financial Stability (January-June 2019)

Monetary Indicators

According to the Bank of Albania, monetary bidding continued its positive, steady and moderated trend since January 2019. The M3 aggregate recorded an average annual rate of 3.5% during the second quarter of 2019, while it marked an average

⁵ DCM no.4 dated 09.01.2019 "On the endorsement of fiscal and macroeconomic framework for 2020-2022"

annual rate of 2.2% in the first quarter. The money creation was affected by exchange rate appreciation as well as from the positive contribution of banking sector.

Credit to the private sector had a progressive performance, increasing by 6.8% during the second quarter of the year. This performance was accelerated due to low interest rates, higher demands and improved bidding, implemented by the banking sector. In terms of structure, lending shows growth rates in the segment of loans granted to household and individuals as well as in the segment of loans granted in ALL.

Lending activity appears to be slightly improved, supported by the steady growth of loans in ALL. More precisely, residents` (businesses) demands for loans enriched by 3.3%, while loans to individuals increased by 3%, affected by the growth of loans granted in ALL as well as by immovable property loans. Lending activity was generally improved and supported by low interest rates for both business and private loans. In that context, according to BoA, as a result of low interest rates private loans marked an annual growth of 6.8% in the second quarter, indicating a higher percentage compared to the first quarter of 2019.

Meanwhile, investments in deposits, securities and in investment funds widened. Loaning quality was improved for individuals/households while has fallen for businesses. However, loan portfolio increased and both private and business demands contributed to such growth.

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

Relations with the World Bank Group

The WB supports regulators and the accounting profession to introduce financial reporting practices in line with international standards, promoting integration within the region and with the European market. The World Bank is currently supporting the implementation of the joint action plan for trade and transport facilitation by focusing on building institutions for greater regional connectivity.

FINANCIAL SECTOR

The Bank of Albania plays an important role in the national statistical system, as the institution responsible for producing and providing data on the financial sector and the external sector. The external sector statistics encompass indicators on the balance of payments, statements of international reserves and foreign currency liquidity, merchandise imports and exports, international investments position, exchange rates and external debt.

Banking System

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

Central Bank

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

Specifically, the BoA has the exclusive power and the duty to:

- formulate and implement monetary policy and foreign exchange policies;
- act as a sole issuer of domestic currency in the Republic of Albania;
- license, supervise and regulate the activities of banks and other financial institutions;
- provide credit for banks;
- oversee the payment system in the Republic of Albania and facilitate efficient inter-bank payments and settlements;
- hold and manage the official foreign reserves of the Republic of Albania;
- distribute securities for the state account and issue securities for its own account.

All second-tier banks operating in Albania are obliged to:

- report monthly to the BoA. These reports should include the balance sheet and profit and loss account for the month, foreign currency balances, changes, if any, to the management of the Board of Directors of the bank, data on the bank's network structure, interest rates, credit exposures, credit per economic sector, high risk control, adequacy ratio (including total risk), weighted assets and off-balance sheet items and regulatory capital;
- maintain the compulsory reserve required by the BoA's regulatory acts;
- report on a monthly basis the provision for the doubtful debt;
- maintain a capital adequacy ratio as defined by the Basel Accord of at least 12%;
- report to the General Directorate for the Prevention of Money Laundering, located near the Ministry of Finance :
 - all transactions in cash with a value equal to or higher than ALL 1,000,000, or its equivalent in other currencies, executed as a single transaction or as a several related

- transactions within 24 hours;
- all other suspected transactions.
- maintain an open currency position with certain limits established by the BoA;
- comply with the provisions of the regulation on foreign exchange activities as approved by the BoA.

Banking Industry Composition

According to the Bank of Albania, the structure of the banking and financial system in Albania consists of 12 banks, 31 non-bank financial institutions (NBFIs), 495 foreign exchange bureaus, 14 savings and loans associations and 1 union of savings and loans associations.

There follows a list of Banks and their respective presence to date:

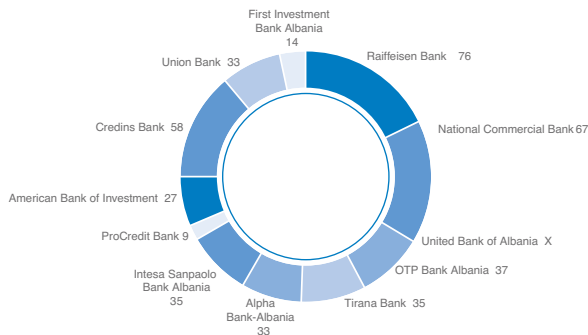
Table 6

No.	Banks	Number of domestic branches
1	Raiffeisen Bank	76
2	National Commercial Bank	67
3	OTP Bank Albania	37
4	Tirana Bank	35
5	Alpha Bank – Albania	33
6	Intesa Sanpaolo Bank Albania	35
7	ProCredit Bank	9
8	American Bank of Investment	27
9	Credins Bank	58
10	Union Bank	33
11	First Investment Bank Albania	14

Source: Bank of Albania, 2019

Graph no 1

Number of domestic branches



The following table presents the structure of entities licensed by the BoA from 2014 to 2019:

Table 7

Cumulative	2014	2015	2016	2017	2018	2019
Banks	16	16	16	16	14	12
Financial Institutions (Non-banks)	22	27	28	31	30	31
Foreign Exchange Bureau	356	397	428	423	463	495
Savings and Loans Associations	113	111	13	13	13	14
Unions of Savings & Loans	2	2	2	1	1	1

Source: Bank of Albania-Annual Reports, Monthly Report 2019.

Insurance Industry

Insurance Industry is deemed to generate high amounts of revenues by insurance activity, or in other words, from net earned premiums, both for life and non-life insurances. Gross written premiums in the Albanian insurance market increased

during January-August 2019 by 2.33% compared to one year ago, reaching ALL 11,364 billion. Non-life insurance remains the prime contributor to insurance market, leaving life-insurance behind with 7.25% from the overall value of premiums and only 0.34% space for reinsurance activity. Moreover, compulsory insurance continues dominating the insurance market compared to voluntary insurance.

Source: Financial Supervisory Authority - Monthly Report (January-September 2019)

Table 8

Insurance companies licensed by insurance product (in number)

	2013	2014	2015	2016	2017	2018
Non-Life Insurance	5	4	5	6	8	9
Life and Non-life Insurance	2	2	2	5	5	6
Life, Non-Life Insurance and Reinsurance	1	2	2	3	3	4

Source: Financial Supervisory Authority - Annual Report 2018

In 2019, there were 12 insurance companies operating, consisting of eight non-life insurance companies, three life insurance companies, and one life and non-life insurance company.

Table 9

Gross written premiums and annual change

	Value (in thous.ALL)		(change in %)
	2018	2019	2019/2018
Non-life Insurance	10,318,527	10,501,446	1.77
Life Insurance	742,828	823,885	10.91
Total	11,061,355	11,325,33	11.68

Source: Financial Supervisory Authority - Monthly Reports 2019

Referring to the Monthly Statistics launched by Financial Supervisory Authority in August 2019, the following data reflects the performance of Insurance Market during the half of the year:

Insurance market enhanced his activity by about 2.33%, contributing therefore to a significant increase of gross written premiums by ALL 259,086 or a total value of ALL 11,364,490. The total number of insurance policies indicated a positive performance as well (ALL 885,298). The main contribution is attributed to non-life insurance policies (803,900 in total), while life insurance policies have undergone rather a decrease on the amount of 2.88% (81,382 in total) compared to the same period of last year. On the other hand, expenditures regarding claims have experienced a notable increase. Such expenditures increased by 9.9% or about ALL 3,939,431, divided into non-life and life insurance claims, where the latter showed a lesser impact compared to the former.

Furthermore, Financial Supervisory Authority, on the monthly report regarding market developments, indicates the following figures:

In structure, the market continued to be oriented to non-life insurance, which brought about 92.41% of the total volume of gross written premiums in this market. Meanwhile, life insurance brought 7.25 % of the total volume of gross written premiums. Until August 2019, voluntary insurances accounted for 36.86% and compulsory ones accounted for 63.14% of the total gross written premiums in the insurance market. The first six months of 2019 experienced an increase regarding insurance revenues. According to the Financial Supervisory Authority's report, revenues from gross written premiums amounted to ALL 11,364 million, representing a growth of 2.33 % compared to the same period of one year ago. Such growth was supported by the increase of insurance policies that reached a total number of 885,298, meaning a significant growth by 4,72% compared to last year.

Source: Financial Supervisory Authority - Monthly Report, August 2019

INFORMATION SPACE

To date, the Albanian insurance market can offer any kind of guarantee, in relation, to any kind of investment, for any value. The main features composing the Albanian insurance market are as follows:

1. Financial figures

- Total Assets;
- Gross Written Premiums - ALL 11, 364, 490 (January - August 2019).

2. Products offered

- (i) Property and liability insurance:
 - Insurance against fire and other damage to property;
 - Public Liability Insurance;
 - Professional Liability Insurance;
 - Construction All Risks Insurance (CAR);
 - Contractor Plant Machinery (CPM);
 - Machinery Loss of Profit Insurance (MLOP).

- (ii) Accidents and health:
 - Health in Travel Insurance;
 - Personal Accidents;
 - Health Insurance.

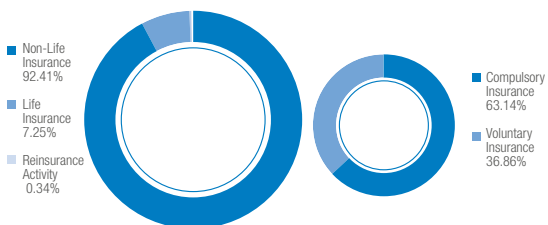
- (iii) Motor insurance:
 - MTPL;
 - CASCO;
 - Border;
 - Green Card.

- (iv) Marine and transport insurance:
 - Hull & Machinery Insurance (H&M);
 - Civil Liabilities of Vessels (P&I –Protection & Indemnity);
 - Goods in Transit Insurance.

- (v) Aviation insurance:
 - Aviation Liabilities Insurance;
 - Aviation All Risks Insurance.

Graph no 2

The structure of the insurance market, 2019



Source: Albanian Financial Supervisory Authority - Monthly Report 2019.

Foreign trade

The latest statistics regarding exports of goods display a trend towards decline, whilst the import emerged significant growth. Referring to the Institute of Statistics, lowermost peak of trading abroad was experienced during May and September 2019, notwithstanding the whole year was accompanied by a low rate of international trade.

During 2019, the estimated value of exports amounted to ALL 225 billion meanwhile imports amounted to a greater value of ALL 481 billion. In terms of percentage, exports decreased by 2.8 and imports increased by 3.0% compared to the previous year. Consequently, such non-balance afflicts the trade deficit widening it further (8.8% compared to the previous year).

Albania has boasted international trade of goods with regional countries as well as with non-European countries. Based on the data provided by the Institute of Statistics, exports with China, Kosovo and Germany performed an increase during 2019, while with other countries such as Italy, Spain and Greece the frequency of exports experienced a slowdown compared to 2018. Regarding imports, the consolidated partnership with China continues to remain, as well as with Turkey and less with Greece.

Source: INSTAT

BUSINESS SECTOR OPPORTUNITIES FOR INVESTMENTS

OPPORTUNITIES AND INCENTIVES FOR FOREIGN INVESTORS

Albania is a country that offers many investment opportunities to foreign entities and individuals. The country has considerable natural resources, including oil, gas, coal, iron, copper, chrome, water and hydroelectric potential.

Potentially high profit sectors include mining and oil extraction, both of which are export-oriented industries. Albania is the only country in Europe with substantial reserves of chrome, which before 1990 made it the world's third largest producer of chrome ore. Nevertheless, significant capital investments and capacity upgrades are needed in order to modernize the old, outdated production methods. Other areas of interest include thermal, solar and hydro power production, alternative sources of energy production, infrastructure, agriculture, light industry sectors such as textiles, leather and footwear, confectionary, and meat processing.

Tourism in Albania is a growing sector with more tourists visiting the country every year. Tourism also offers great investment prospects. Albania has spectacular mountain scenery, a beautiful and pristine coastline, and ancient history and culture. Tourism could be one of the main attractions for foreign investors.

Albania will highly benefit from the Trans-Adriatic Pipeline, one of the country's largest FDI projects, with important benefits for a number of industries including manufacturing, utilities and transport. The pipeline will enhance Europe's energy security and diversity by providing a new source of gas. Albanian law, especially the Law on Foreign Investments, guarantees full legal

protection for foreigners' investments. Private investments are not subject to nationalization or expropriation, unless specifically required by law for the public interest. Parties to a dispute may agree to submit claim to arbitration. Foreign investors also have the right to submit disputes to an Albanian court.

The Law on Foreign Investments provides "special state protection" for investments/projects exceeding EUR 10 million. Such protection is granted where a dispute arises between the foreign investor and a private party claiming title over the land where the project is or will be built and/or developed.

This protection involves the state replacing the foreign investor in a court dispute and undertaking to compensate the claimant if the court rules in its favor.

Other legal incentives include:

- Equal treatment of foreign and domestic investors;
- Full profit and dividend repatriation, after taxation;
- Repatriation of funds from liquidated companies.

Bilateral agreements on the promotion and protection of reciprocal investments are in force with the following countries: Austria, 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, United Arab Emirates, the United Kingdom, the United States and with the OPEC Fund for International Development (where participate the following countries: Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates, Venezuela).

INFORMATION SPACE:

The Trans Adriatic Pipeline (TAP) will transport Caspian natural gas to Europe.

Connecting with the Trans Anatolian Pipeline (TANAP) at the Greek-Turkish border, TAP will cross Northern Greece, Albania and the Adriatic Sea before coming ashore in Southern Italy to connect to the Italian natural gas network.

Once built, TAP will offer a direct and cost-effective transportation route opening up the vital Southern gas Corridor, a 3500-kilometre long gas value chain stretching from the Caspian Sea to Europe.

TAP chose the pipeline's route with great care to ensure the best commercial and technical possibilities and cause minimum environmental and social impact. 878 kilometers in length, TAP's highest elevation will be 1,800 meters in the mountains of Albania while its lowest depth offshore will be 820 meters beneath the Adriatic.

Benefits for Albania

TAP will facilitate development of Albania's energy infrastructure and it will drive foreign investment to the country. TAP receives strong support from the government of Albania and is designated as a 'project of national importance'. The pipeline will help Albania continue its commercial and physical integration with Europe, increasing the country's regional and geo-strategic significance while promoting continued stability.

As well as encouraging stable and predictable annual revenues once it is operational, TAP could also support Albania in meeting its own domestic energy needs by developing an internal energy market. TAP is already assisting Albania in the developments of its National Gas Master Plan.

Source: www.tap-ag.com

INFORMATION SPACE

Investment Council

The Investment Council was established by the Decision of the Council of Ministers No. 294, date 8.4.2015, "On the Creation of the Investment Council".

The Investment Council is an advisory body, specialized, and intermediary to facilitate dialogue between representatives of the business community, donors and government, to develop a favorable, non-discriminatory and transparent business/investment climate.

SOVEREIGN RATING

Standard & Poor's credit rating for Albania stands at B+ with stable outlook. Moody's credit rating for Albania was last set at B1 with stable outlook.

"The stable outlook reflects our view that Albania's economy will expand by just under 4% over the next years; fiscal deficits will remain limited, and gradually narrowing current account deficits will predominantly be covered by solid foreign direct investment (FDI) inflows over the next three to four years", S&P says.

Source: Standard & Poor's, Republic of Albania, 2019

BUSINESS LAW

The current Commercial Law governing business organizations in Albania (Law No. 9901 “On Entrepreneurs and Commercial Companies”) has entered into force on 21 May 2008. It is modeled on commercial legislation found in Germany, Italy and Great Britain. The Commercial Law constitutes the main body of legislation for business organizations and aims to harmonize Albanian law with the laws of other European countries and the Acquis Communautaire.

TYPES OF BUSINESS ENTITIES

The foreign investor has numerous options available to organize its business operations in Albania. This may be achieved either by establishing a local incorporated company, a branch or a representative office. The registration of new entities in Albania is carried out by the National Business Center (“NBC”) established under Law No. 9723, dated 3 May 2007 “On Business Registration” as amended, which aimed to implement a “one stop shop” system. As of 26.11.2015 a new Law No. 131/2015 “On National Business Center” has been enacted. The said law aims to further facilitate doing business in Albania by offering the registration and licensing procedures through only one institution, which is the National Business Center (“NBC”). Therefore, the National Business Center has replaced both the National Registration Center and the National Licensing Center. According to the Albanian legal framework, the following business entities need to be registered with the NBC:

- Sole Entrepreneur – Tregtar
- Unlimited Partnership – Shoqeri Kolektive
- Limited Partnership – Shoqeri Komandite
- Limited Liability Company – Shoqeri me Pergjegjesi te Kufizuar
- Joint Stock Company – Shoqeri Aksionare
- Joint Ventures – Shoqeria e Thjeshte

Sole Entrepreneur

The Sole Entrepreneur trades under his/her own name. Individuals interested in establishing this type of business should file an application and an identification document with the NBC of the district where the business will be conducted. The application form includes the individual's personal details address, type of business and a specimen of his signature.

Unlimited Partnership

All partners are unlimitedly and jointly liable for the debts of the partnership. In unlimited partnerships, the partners are all considered administrators of the partnership, unless the contrary is stipulated in bylaws. Each partner represents the partnership in relations with third parties. An unlimited partnership should issue annual financial reports. The rights, duties and obligations of partners are governed by written bylaws, which should be filed with the NBC.

Limited partnership

A Limited partnership, which is seldom used in practice, consists of one or more unlimited partners with unlimited liability and one or more limited partners whose liability is limited to the amount of their contributions in the initial capital. A limited partner may not take part in the management of the partnership, even if he/she is given a proxy, and, if he/she does so, he/she will incur unlimited liability. The limited partnership is not dissolved on the death or dissolution of one or more limited partners.

Limited Liability Company (SHPK)

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

The minimum required capital for the limited liability company is ALL 100.

Contributions to the capital can be in cash or in kind by any asset, tangible or intangible.

Directors are nominated by the General Assembly of the shareholders for a period of no more than five years, though this term can be renewed. Ordinary decisions may be validly taken by the General Assembly of shareholders provided that a quorum representing more than 30% of the company's shares is present in the meeting.

Extraordinary decisions, such as changes to the bylaws, increase or decrease in share capital, mergers and acquisitions or distribution of profit, may be validly taken by the General Assembly of the shareholders upon a majority vote of $\frac{3}{4}$ of the shareholders present in the meeting, provided that the shareholders holding more than half of the total number of votes are present at the meeting.

Decisions of the General Assembly of shareholders are recorded in the minutes of the meeting, which are kept by the directors of the company.

Joint Stock Company (SHA)

The capital of a Joint Stock Company is divided into shares, and, under normal circumstances, its shareholders are held responsible for losses only to the extent of their contribution to the capital. The minimum initial capital required is ALL 3.5 million for privately held companies with no public offering, and ALL 10 million for companies which are publicly listed.

The capital is fully subscribed when the shareholders have promised to transfer assets to the company in cash or in kind to an amount equaling the capital. At the point of subscription, for shares being paid for in cash, at least one quarter of the

nominal value of the shares must be paid in cash. Payment of the remaining value can be made in installments with the agreement of the management bodies of the company. In kind contributions must be fully paid in at the time of subscription. The Commercial Law does not permit contributions by way of services.

Rights attached to shares may not be transferred before registration of the company with the NBC. All shares bear the same nominal value.

The Joint Stock Company may have “ordinary shares” or “privileged shares”. The latter may also have no voting rights and in any case may not represent more than 49% of the registered share capital.

The Commercial Law provides for the adoption by Joint Stock Companies of a flexible administration system. Joint Stock Companies may choose to adopt either a “one tier” system (with a board of directors conducting both management and supervisory functions) or a “two-tier” system (with a board of directors and a separate supervisory board carrying out supervisory functions).

Branches and Representatives Offices

Under the Commercial Law, a foreign investor can also operate in Albania through a branch or representative office. The branch or representative office should be registered with the NBC and should have a legal representative empowered by the head office to administer the office. For tax purposes, in general, the branch is treated in the same manner as an Albanian entity.

Joint Ventures

Albanian legislation recognizes Joint Ventures under the term “simple company”, since it is based on an agreement between

partners.

Joint Ventures are foreseen by the provisions of the Civil Code (articles 1074-1112) and may be concluded by two or more persons, whether individuals or legal entities, foreign or national, agreeing to engage in an economic activity in order to share profits deriving there from. There is no minimum capital requirement. Partners are liable to make the contributions provided in the agreement. Unless otherwise agreed, each partner may take part in the management of the partnership and has full power to carry out any acts which are within the scope of the partnership.

Each partner is entitled to receive its share of the profits after the accounts have been approved, unless otherwise agreed. Partners are jointly responsible for fulfilling the obligations imposed upon them by law and by the partnership agreement unless they prove there were not at fault.

REGISTRATION WITH THE NATIONAL BUSINESS CENTER

To register a new company with the National Business Center (NBC) the following documents are required:

- Application form (standard form) filled in and filed by the legal representatives of the company or by a person authorized by a Power of Attorney;
- Articles of Incorporation and/or Bylaws;
- Resolution nominating the administrator of the company.

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

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

- Application form (standard form) filled in and filed by the representative of the branch/representative office or of the parent company or by a person authorized by a Power of Attorney issued by either of the above-mentioned persons;
- Resolution of the parent company to establish the branch or representative office in Albania and appoint a legal representative (Manager) of the branch or representative office in Albania;
- Articles of Incorporation and Bylaws of parent company and any amendments;
- Recent extract from the Chamber of Commerce of the country where the parent company is located, issued no more than 90 days before the date of the application, and confirming:
 - the registration of the parent company in the commercial Register of the country of origin;
 - that the company is not subject to dissolution or bankruptcy;
 - the composition of the managing bodies of the company.
- Financial statements for the last financial year of the parent company and the auditor's report.
- Copy of passport of the branch manager and copy of passport of the head officer of the parent company.

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

Under the Licensing Law, any license, authorization or permit issued by the central or independent institutions should be registered with the National Register of Licenses and Permits (the “Register”) kept by the National Business Center (former National Licensing Center).

As a general rule, licenses, authorizations and permits shall become effective only on their publication in the Register, unless the deed approving a license, authorization or permit is stated as entering into force on its publication in the Official Gazette.

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

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

Depending on their nature and requirements to which they are subject, not all licenses, authorizations and permits have to be reviewed by the NBC. In fact, as a general rule, applications for obtaining an authorization are examined directly by the competent public authorities without going through NBC. Nevertheless, in specific cases, the 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 going through 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 application for licenses authorizations or permits under Group III are not published by the examining authorities

within the prescribed term.

Nevertheless, there are certain activities subject to licensing where the “tacit approval” rules are not applicable. In these cases, reference is made to the applicable law governing the activity that is subject to licensing procedures.

Other Mandatory Filings with the National 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 the going through NBC within 30 days.

Should the change relate to the criteria for licensing the specific activity, the holder of the license, authorization or permit should notify both the going through NBC and the relevant authority involved in the issuing of the license, authorization or permit. In the event that the change affects the aforesaid criteria, the holder of the license, authorization or permit has to suspend its activity on its own initiative until the relevant authorities have completed their review of the change.

ACCOUNTING REGULATIONS

All economic for-profit units in the Republic of Albania, including financial institutions, regardless of their legal form or the specific legal requirements that can be applied to them, are subject to Law No. 25/2018, effective from 01 January 2019 “On Accounting and Financial Statements” (replacing the Law No. 9228, dated 29.04.2004), which is partly harmonized with the new EU Accounting Directive 2013/34/EU.

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

According to Law No. 25/2018, entities should prepare the financial statements based on National Accounting Standards or International Accounting Standards/International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board and translated into Albanian under the auspices of the National Accounting Committee without changes from the original English version.

The following entities are required to prepare financial statements on 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;
- Other 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 whose average number of employees during the year exceeds 250.

However, voluntary application of IFRS is permitted. The National Accounting Committee (NAC) has approved fifteen National Accounting Standards. A specific accounting standard for non-for-profit organization is effective from 1 January 2016.

The National Accounting Standards (NAS) includes the following:

- NAS 1 The Regulatory Framework for the Preparation of Financial Statements
- NAS 2 Presentation of Financial Statements
- NAS 3 Financial Instruments
- NAS 4 Inventories
- NAS 5 Property Plant and Equipment and Intangible Assets
- NAS 6 Provisions, Contingent Liabilities and Contingent Assets

- NAS 7 Accounting for Leases
- NAS 8 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 On accounting Principles and Financial Reporting for micro-enterprises
- NAS for Non-For-Profit Organizations

The accounting period consist of 12 consecutive months and should begin with the calendar year. The law allows a functional currency other than Albanian Leke. However, accounting books shall continue to be maintained in the Albanian language and financial statements should be presented in Albanian Leke. Transactions in foreign currencies are allowed to be carried out through special accounts in their respective currencies. All accounting books, source documents and financial reports should be retained for a period of 10 years. Accounting books and records can also be maintained by third parties, except in certain cases specified by law.

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

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

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

- Preparation on a going concern basis;
- Consistency between accounting periods;
- Use of accrual accounting and matching concepts;

- Comparative information should be disclosed in respect of the previous period for all numerical information in the financial statements;
- Each material item should be presented separately in the financial statements;
- Assets and liabilities, as well as items of income and expense, should not be offset except where specified by any accounting standard;
- All transactions and accounts should be valued and presented fairly, prudently and transparently.

FINANCIAL STATEMENTS AND CERTIFICATION REQUIREMENTS

Law No. 25/2018 “On Accounting and Financial Statements” provides that financial statements should comprise:

- statement of financial position;
- statement of performance;
- statement of changes in equity;
- cash flow statement;
- notes, comprising a summary of significant accounting policies as well as explanatory material.

Standard reporting forms, as provided by the NAS, are given in Appendix B. Simultaneously with the financial statements, companies should file an annual profit tax return with the tax authorities, by no later than 31 March of the subsequent year. The entities should submit the financial statements with the National Business Center, within 7 months from the reporting date. The medium-sized, large, public interest entities and non-profit organizations with a total of assets or revenues exceeding ALL 30 million are required to publish these documents on their websites. The standard form for the annual profit tax return is shown in Appendix A.

AUDIT REQUIREMENTS

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

- companies that apply IFRS, regardless of their legal form;
- joint stock companies that apply the National Accounting Standards for financial reporting;
- limited liability companies that apply the NAS in cases where, 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;
 - average annual number of employees is 30.

The auditor is appointed by a decision of the General Meeting of shareholders in the case of a Limited Liability Company or a Joint Stock Company on an annual basis.

Companies that apply the IFRS and Joint Stock Companies that apply NAS must appoint at least two natural persons as auditors or a single auditor firm.

TAXATION OF BUSINESSES

GENERAL

The tax system includes corporate income tax, value added tax (VAT), excise tax, personal income tax, simplified profit tax on small businesses and local taxes. The tax period for corporate income tax and simplified profit tax on small businesses is the calendar year, while for VAT, excise tax, and personal income tax, the tax period is the calendar month.

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

The Albanian government in 2006 implemented a policy of low tax rates to encourage investment. In 2008, the government introduced a flat tax rate of 10% for all income, whether personal or business, except for that from industry sectors covered by specific laws, such as hydrocarbons.

Furthermore, in May 2008, a new law on tax procedures was adopted, providing detailed rules about taxpayers' rights, procedures for enforcing tax payment, requirements for transactions to be documented appropriately for fiscal purposes etc.

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

The law on VAT, approved in July 2014, broadly reflects the EU Directive "On Value Added Tax". The law entered into force on 1 January 2015.

A new Customs Code was also adopted on July 2014, which is in full compliance with the Regulation “Union Customs Code”. Certain provisions of the new Customs Code entered into force in January 2015; the other provisions became effective in June 2017.

RESIDENCE

Legal entities that are registered with the National Business Center or whose place of effective management is in Albania are considered to be Albanian tax residents.

CORPORATE INCOME TAX

Corporations conducting business in Albania and having an annual turnover exceeding ALL 14 million are subject to a corporate income tax (profit tax) at a rate of 15%. If the annual turnover is between ALL 8 million and ALL 14 million, the taxable person is subject to a reduced profit tax at 5% rate.

To incentivize the tourism, no profit tax applies for a 10-year period for accommodation structures “Four-Star and Five-Star Hotels, Special Status”, benefiting the special status until December 2024.

Software developers and the automotive industry benefit from a reduced profit tax at 5% rate.

A reduced profit tax rate of 5% applies also to entities that will be classified as “certified agritourism entity” within December 2021. This rate is applicable for a period of 10 years, from the year following the classification of an entity as “certified agritourism entity”.

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

and Economy. In calculating the taxable base, the following expenses are deductible:

- expenses incurred for generating, securing and maintaining profit;
- insurance premiums;
- depreciation allowances;
- interest (excluding certain situations as established by law);
- bad debts when the following conditions are met:
 - a.** the corresponding amount has been included earlier as income;
 - b.** the bad debt is cancelled out in the accounting books of the taxpayer;
 - c.** all possible legal action to enforce payment has been undertaken.
- other expenses not listed as nondeductible.

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

- the cost of acquisition and improvement of land (capitalized);
- the cost of benefits in kind given to employees (tax-free for the recipient);
- interest in excess of the annual average bank interest rate;
- interest paid on loans that fall under the thin capitalization rules (as mentioned here below under “Thin Capitalization” section);
- damage and waste related to production, transportation and storage in excess of the rates determined by decision of Council of Ministers;
- dividends;
- the profit tax itself;
- penalties and fines;
- expenses in respect of technical, consulting and management services provided by non-resident entities, for which no withholding tax is paid within the same tax year;

- personal consumption expenses;
- per diems that exceeds 50% of the gross salaries;
- representation and reception expenses which exceed 0.3% of the annual turnover;
- sponsorship expenses which exceed 3% of profit before tax, and sponsorship expenses for press publishers which exceed 5% of the profit before tax; exceptionally, when legal entities that generate an annual taxable profit of more than 100 million Leke sponsor sport teams` part of recognized federations, they shall recognize as tax deductible expense an amount which is three times the sponsored amount. The deduction is not allowed to be carried for future tax periods. The sponsorship amount should not exceed the limits set out above.
- expenses for salaries and other compensation deriving from employment relationships, where payment is not made through the banking system;
- expenses resulting from any purchase-sale transaction performed in cash for an amount exceeding ALL 150,000.

The expenses for participation in fairs or expositions abroad, incurred by exporters are recognized as deductible tax expenses up to 3% of the annual turnover. To benefit from this rule, the taxpayer should have generated more than 70% of their income from export sales during the last three years. Manufacturers working under the inward processing regime do not qualify as exporters for purposes of this provision.

Depreciation

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

There are two methods of depreciation: the straight-line method and the declining balance method. The straight-line method applies at a rate of 15% to intangible assets. The declining balance method applies to the following major

groups of tangible assets:

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

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

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

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

Depreciation allowances are not granted for land, works of art, antiques, jewellery, precious metals and stones.

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

Inventory

Inventory can be valued using the weighted average price method, FIFO, or any other method specified in the accounting standards and regulations, provided that the entity consistently uses the same method. Any subsequent measurement of the

inventory after the initial recognition is not considered for tax purposes.

Reserves and Provisions

Reserves are not deductible for tax purposes, although banks and insurance companies are allowed to deduct reserves and provisions provided that they are created in pursuance to the International Accounting Standards and the external auditors have issued an unqualified opinion on them.

Losses

Losses may be carried forward for three years (five years in case of projects having a value of more than ALL 1 billion) . However, this does not apply when the entity's direct or indirect ownership of the share capital or voting rights has changed by more than 50%. No carry back is allowed.

Thin Capitalization

The thin capitalization rules limit the deduction for interest paid on a loan to the portion of interest paid on the loan not exceeding four times the company's net assets (i.e. debt/equity ratio of 4:1). The rules apply to all loans taken, except for short-term loans (less than 1 year).

In case of loans and funding from related parties, the "net interest expense" will be considered deductible up to 30% of EBITDA. Net interest expense means the interest expense less the interest income, within the tax period. The taxpayer has the right to carry forward the non-deducted part of the interest and claim its tax deductibility in the following periods, except when the taxpayer's ownership has changed by more than 50%. This rule does not apply to banks, non-bank credit financial institutions, insurance and financial leasing companies.

Inter-Company Dividends

Domestic as well as foreign dividends received by a resident company (subject to profit tax) are nontaxable income.

Transfer Pricing

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

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

The taxpayer may choose another transfer pricing method, if he shows that none of the above can be used in a reasonable way to apply the market principles for controlled transactions. Taxpayers performing controlled transactions which exceed ALL 50 million per year (approximately EUR 410,000) should present to the tax authorities an Annual Controlled Transactions Notice.

In addition, in case the tax authorities of a country with which Albania has signed a double tax treaty make a transfer pricing adjustment that results in the taxation of the profit for which the taxpayer has already been taxed in Albania, the Albanian taxpayer may submit a written request to the General Tax Directorate on the respective adjustment to be made to the profit tax in Albania. The requested transfer pricing adjustment may be fully or partially refused or granted within 3 months of the date of submission of the request by the taxpayer.

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 (ordinary credit method).

WITHHOLDING TAXES

Dividends and Profit Sharing

Dividends and profit sharing paid to non-tax registered residents or to non-residents are subject to a withholding tax at a rate of 8%. Dividends paid to a nonresident are subject to a 8% withholding tax, unless the rate is reduced under a tax treaty. However, dividends resulting from profits generated in the year 2017 or earlier, remain subject to withholding tax at 15%.

Interest

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

Other Payments

There is a 15% withholding tax for payments in respect of artistic performances, royalties, leases, management and participation in managing bodies, technical, managing, financial and insurance services, construction, installation, or site supervision services which are made to non tax-registered residents and non-residents.

Double Taxation Avoidance Treaties

Since 1992 Albania has entered into agreements “For the Avoidance of Double taxation with respect to Taxes on Income and on Capital and for the Prevention of Tax Evasion” with several countries. The Agreements cover the taxation of income from business profits, international transport, dividends, interest, royalties, dependent and independent personal

services, as well as income from real estate. They establish the rules that apply to taxation for the above-mentioned types of income in an attempt to avoid double taxation. In addition, for some types of income such as dividends and interest, the agreements specify the maximum rate applicable in the contracting state in which they arise.

Tax Treaties in force:

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

25. Treaty with Montenegro, in effect as of 1 January 2006
26. Treaty with Slovenia, in effect as of 1 January 2010
27. Treaty with Austria, in effect as of 1 January 2009
28. Treaty with Latvia, in effect as of 1 January 2009
29. Treaty with South Korea, in effect as of 1 January 2009
30. Treaty with Bosnia and Herzegovina, in effect as of 1 January 2009
31. Treaty with Spain, in effect as of 4 May 2011
32. Treaty with Ireland, in effect as of 1 January 2012
33. Treaty with Germany, in effect as of 1 January 2012
34. Treaty with Singapore, in effect as of 1 January 2012
35. Treaty with Qatar, in effect as of 1 January 2013
36. Treaty with Kuwait, in effect as of 1 January 2014
37. Treaty with Great Britain, in effect as of 1 January 2014
38. Treaty with United Arab Emirates, in effect as of 11 July 2014.
39. Treaty with Iceland, in effect as of 1 January 2017
40. Treaty with Estonia, in effect as of 1 January 2018.

INDIRECT TAXES

Value Added Tax

The law on VAT, which broadly reflects the EU Directive on Value Added Tax (Directive 2006/112/EC) entered into force on 1 January 2015.

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

From 1 April 2018, all individuals and legal entities making taxable supplies and having an annual turnover in excess of ALL 2 million are subject to general VAT regime. Specifically,

individuals and legal entities that operate in the import/export sector, lawyer, notaries, doctors, architects, auditors, accountants etc., and taxpayers conducting business activities in the hotel sector, are subject to VAT irrespective of their annual turnover.

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

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

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

- the use by a taxable person of goods forming part of his business assets for his private use or for that of his staff, or their disposal free of charge or, more generally their application for purposes other than those of his business; in case of deregistration, all the business assets still in possession of the taxpayer if the VAT was credited when purchased;
- the use by a taxable person of goods forming part of his business assets for his activity in case the deductibility of the VAT is not allowed (partially or fully) if your purchased from other taxpayers;
- 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. The taxable amount of imported goods includes transportation and insurance costs, import costs and any applicable law, duties or tariffs.

VAT Rate

The standard VAT rate in Albania is 20%. A reduced rate of VAT in the amount of 6% is applied to the following:

- Supply of all services offered within the accommodation structures “Five-Star Hotel, Special Status”, as defined in the legislation regulating tourism;
- Supply of accommodation services by other accommodation structures;
- Supply of accommodation and restaurant services (with exception of the supply of beverages) that are offered within the certified “agritourism” entities;
- Supply of advertising services from audio-visual media;
- Supply of books of any type; and
- Supply of electric vehicles for public transport (having more than 9 seats).

VAT Exemptions

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

- Supply by the public postal services;
- Supply of medicinal products and active implantable medical devices;
- Supply of medical services and closely related activities undertaken by bodies governed by law;
- Supply of human organs, blood and milk;
- Supply of services by dental technicians;
- Supply of services and goods closely linked to welfare and social security work carried out by bodies governed by public law or other organizations recognized by the competent authority;

- Supply of services and goods closely linked to the protection of children and young persons carried out by bodies governed by public law or other organizations recognized by the competent authority;
- Provision of children or young people's education, school or university education including supply of services and goods closely related thereto, as well as tuition given privately by teachers and covering school and university education;
- Supply of services and goods closely linked thereto to their members in their common interest in return for a subscription fee in accordance with their statute by nonprofit making organizations with aim of a political, trade union, religious, patriotic, philosophical or civic nature;
- Supply of certain services closely linked to sport or physical education;
- Supply of certain cultural services and supply of goods closely linked thereto;
- Supply of transport services for sick or injured persons and the activities, other than those of a commercial nature carried out by public radio and television bodies.
- Supply of agricultural machineries, as per the list defined by decision of the Council of Ministers;
- Supply of agriculture's inputs, such as seeds, fertilizers, agrochemicals (except hormones classified under nomenclature codes 2937);
- Supply of veterinary services, except veterinary service to pets;
- Supply of services by subcontractors or contractors engaged in the inward processing regime (the service of processing of non-Albanian goods for re-exportation);
- Import of raw materials used for the production of drugs from authorised pharmaceuticals production factories, as per the list defined by decision of the Council of Ministers;
- Supply of electric vehicles (that have only an electric motor and that are not registered in any other state); and
- Supply of construction services for the re-building process after natural disaster, provided that the services are rendered during the period of the state of natural disaster. The same exemption is granted to direct suppliers of constructors for services and goods

acquired in relation to the re-building process. The exemption should be authorized by the General Tax Director.

The exemptions include also other activities such as:

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

Place of Supply

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

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

The place of supply of “Business to Business” (B2B) services is generally the place where the recipient has established its business. Certain documentation (showing that the recipient

is a VAT taxpayer in its country of origin) must be provided to the supplier in order to benefit from the non-application of VAT. Additionally, if the services are provided to a fixed established of the taxable person located in a place other than the place where it has establishment its business, the place of supply of those services is the place where that fixed establishment is located.

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

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

Special Schemes

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

LOCAL TAXES

Tax on Real Estate

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

Tax on Building

This tax is payable in respect of each square meter of a building including underground floors, calculated with respect to the

portion of the year that the building has been owned. The taxable base is the value of the building. The tax on buildings rate applied as a percentage of the taxable base per each year, is:

- i. 0.05% for buildings used for dwelling;
- ii. 0.20% for buildings used for economic activity;
- iii. 30% of the respective tax amount for the entire building, for which the developer has failed to complete the construction within the deadline set forth in the construction permit.

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

Tax on Agricultural Land

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

Tax on Constructible Land

This tax is paid for the land (not occupied by a building or other permanent constructions) within the city's border, which is classified as constructible land. It applies at the level of 0.14 Leke/m² up to 0.56 leke/m² when used by individuals, and 12 Leke/m² up to 20 Leke/m² when used by businesses, depending on the municipality where the land is located.

Tax on the Transfer of Ownership Rights to Real Estate

This tax applies in the event of the transfer of the ownership title to all real estate properties. It is payable by the person who transfers the ownership title. Individuals are not subject to this tax, since they pay tax on personal income deriving from the transfer of any ownership title (see Chapter 6).

In Tirana and Durres, buildings used for business purposes are taxed at ALL 2,000 per square meter and buildings which are

used for residential purposes are taxed at ALL 1,000 per square meter. The tax is lower in other districts. The tax payable on the transfer of the ownership title to real estate property, other than buildings, is 2% of the sale price. Donors of real estate property to governmental entities, religious institutions or not-for-profit organizations are exempt from the tax on the transfer of an ownership title but are still liable to pay the fee to which the tax agent is entitled (3% of the tax amount).

Hotel Residence Tax

The hotel residence tax is payable by all persons who stay in a hotel, whether Albanian or foreign and is set to a fixed amount based on the hotel classification and the municipality where the hotel is located. It is calculated and withheld by the hotel administration. The hotel administration must remit the total amount of hotel residence taxes for a given month to the respective municipality by the fifth day of the next month.

Tax on Impact in Infrastructure from New Constructions

This tax is levied on the value of a new investment. The infrastructure tax on new residence or business units varies from 4% to 8% of the sale price of such units. The infrastructure tax on the other constructions (such as touristic, industrial and public constructions) is calculated over the value of the investment at the rate of 1% to 3% (except for Tirana where the tax is 2% to 4%). The local municipality determines the actual rate. Exceptionally, for infrastructure projects such as the construction of national roads, ports, airports, tunnels, dams or, energy infrastructure, the tax is 0.1% of the investment value. The investment includes the value of equipment and machineries for such project. The tax paid should be not less than the cost of rehabilitation of the damaged infrastructure.

No tax on impact in infrastructure from new constructions applies for accommodation structures “Five-star hotel, Special Status”.

Taxes on Small Business

Small business are all taxable persons that realize an annual turnover up to ALL 8 million. Persons having an annual turnover up to ALL 5 million are tax exempt.

For businesses having an annual turnover from ALL 5 million to ALL 8 million the tax rate is 5% of the profit. The taxes are prepaid quarterly, on 20 April, 20 July, 20 October and 20 December based on the declaration of the annual tax statement of the previous year. The final reconciliation of the tax is made by 10 February of the year following the tax period.

Excise Tax

Excise tax is payable in respect of a certain number of goods such as tobacco, alcoholic drinks, energy drinks, energy products, coffee, etc.

Tax is levied as stamp duty either at a percentage rate or per unit, depending on the commodity. Table 10 shows some of the applicable rates.

Table 10

Cigars and cigarillos containing tobacco	ALL 6,000 per kg
Cigars containing tobacco	ALL 6,250 per 1000 cigarettes
Beer	ALL 360 up to ALL 710 per hectoliter per degree alcohol
Wine	ALL 3,000 up to ALL 12,000 per hectoliter
Light and heavy oils	ALL 37 up to 50 per liter
Roasted coffee	ALL 60 per kg
Pneumatic tires	ALL 20 up to 100 per kg

Customs Duties

Customs duties are charged according to imported goods'

classification in the combined nomenclature. For certain imported items minimum customs values are applied.

Major exemptions are available to:

- Goods imported under government agreements, and where the duty exemption is explicitly stated in the agreement;
- Certain imports for contractors in oil exploration;
- Humanitarian aid;
- Donated goods imported for charitable, philanthropic, or aid purposes by not-for-profit organizations, religious institutions or public entities;
- Goods imported for trade promotion purposes and advertising.

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

Other National and Local Taxes

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

TAXATION OF INDIVIDUALS

GENERAL

Under Albanian law, all individuals are liable for income tax. While residents pay tax on their worldwide income, non-residents pay tax only on income generated within the territory of Albania.

RESIDENCE

Individuals having their habitual residence in Albania or who reside in Albania for an aggregate period of more than 183 days in any calendar year are considered Albanian tax residents.

TAXABLE INCOME

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

- Wages, salaries and other compensation derived from employment relations (such income includes basic pay, overtime pay, bonuses and any other payment for the performance of employment);
- Dividends and profit sharing from partnerships;
- Capital gains derived from the sale of shares. The taxable base is the difference between the sale price and the purchase price or nominal value of the shares;
- Interest from bank deposits and other interest-bearing securities;
- Income from copyright royalties;
- Income from loans and leases;
- Income from transfer of ownership of real estate. The

taxable base is the difference between the sale price and the purchase price of the property;

- Income from lotteries and gambling;
- Cash contributions from shareholders to pay for newly issued shares of the company's share capital, if no official documents are provided to prove the origin of the contributions;
- Other Albanian sourced income (i.e. any other item of income that is not explicitly exempt).

TAX – EXEMPT INCOME

- Allowances received from social and health insurances schemes, including pensions;
- Contributions paid by employers towards their employees' voluntary life and health insurances plans;
- Scholarships;
- Compensation received with regard to expropriation;
- Income of individuals who enjoy diplomatic status;
- Benefits in kind received from employees;
- Damage relief and litigation costs granted in favor of an individual upon a final court decision;
- Income paid by state institutions for achievements in science, sport and culture;
- Transfer of the ownership title of the house and/or land between family members (such as between husband and wife, or between parent and children), through donation or renunciation from the ownership right.

PERSONAL INCOME TAX RATES

Wages, salaries and other compensation for employees are taxed as follows:

Table 11

Month taxable income	Rate	
Over (ALL)	Until (ALL)	
0	30,000	Nil
30,000	150,000	13 percent of the amount over ALL 30,000
150,000	and above	ALL 15,600 + 23 percent of the amount over ALL 150,000

For any other taxable income, a flat rate of 15% is applied.

PERSONAL INCOME TAX DECLARATION

All resident and non-resident persons, whose gross annual income reaches or exceeds ALL 2 million or are employed with more than one employer, must complete and submit an annual income tax declaration. Income generated from business activities carried out by self-employed individuals (subject to simplified profit tax on small businesses or profit tax) is not considered for purposes of calculating the said threshold. The declaration must be filed with the Tax Directorate, of the region in which the individual resides by 30 April of the year following the tax period for which the declaration is made.

If any personal income tax is due (calculated as the difference between the final tax amount and any tax prepaid and/or withheld during the tax period) it is payable by the same date. If the individual has overpaid tax during the tax period, the difference will be either reimbursed to the taxpayer or used as a prepayment for the following year's personal income tax.

If they wish to take advantage of the "deductible expenses scheme", persons having a gross annual income not exceeding ALL 1,050,000 may opt to submit an annual income tax declaration. Under the scheme, the following expenses are

recognized as deductible:

- a. bank interest on loans expressly granted for the person's own education or for that of their children or others over whom they have guardianship;
- b. medical expenses for that person or their children or any persons over whom they have guardianship, to the extent that these are not covered by the mandatory health insurance scheme, in pursuance to the rules set forth in the decision by the Council of Ministers.

SOCIAL AND HEALTH INSURANCE CONTRIBUTIONS

Only a part of gross monthly salary, between the floor of ALL 26,000 and a ceiling of ALL 114,670 per month is subject to mandatory social contributions, while the basis for the calculation of the mandatory health contributions is the gross salary of the insured employee. Both the employer and the employee pay social and health insurance contributions as per the rates shown in Table 12.

Self-employed persons must also pay social insurance on minimum salary of ALL 26,000 and health contributions on the double of the minimum (ALL 52,000), as per the rates shown in Table 12. The basis of the calculation of the mandatory health insurance for them is the double of the minimum salary.

Table 12

	Social Insurance	Health Insurance
Paid by employer	15%	1.7%
Paid by employee	9.5%	1.7%
Paid by self-employed persons 2	3%	3.4%

LABOR LAW IN ALBANIA

GENERAL ISSUES

Employment relations in the Republic of Albania are mainly governed by Law No. 7961, dated 12 July 1995 “On the Labor Code of the Republic of Albania”, as amended (hereinafter referred as the “Albanian Labor Code”), Law No. 7703, dated 11 May 1993 “On Social Insurance in the Republic of Albania” as amended (hereinafter referred to as the “Law on Social Insurance”) and other normative acts issued by the Albanian government to regulate various aspects of employment relations in response to rapid social and economic change.

Working Hours

As per the Albanian Labor Code, regular daily working hours may not exceed eight hours, while regular weekly working hours should not exceed 40 hours. In some cases, when required and approved by the employer, the employee may perform overtime work. However, under no circumstances shall the maximum of overtime hours exceed 200 hours per month. The Employer cannot ask the Employee to perform overtime work if the Employee has performed 48 working hours during a week. Only in special cases, for a period no longer than 4 months, the Employee can work more than 48 hours per week, but the average weekly working time shall not exceed 48 hours.

The Albanian Labor Code applies restrictions with regard to the kinds of tasks that may be performed at night, by minors (those under 18) and by pregnant women.

Compensation for Overtime Work and Work on Public Holidays and Weekends

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

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

For overtime work performed during public holidays or on weekend, the monetary compensation shall be paid at a rate at least 50% above the regular salaried hourly rate and similarly, time off in lieu will be 50% longer than overtime performed.

If the Employee will be required to work on a Public Holiday when it falls on working days shall be compensated with additional salary at least 25% and with time-off in equal duration with the effectuated work time during the Public Holiday. The time off is taken one week prior or after the effectuated work. If the Employee will be required to work during weekends, shall be compensated with additional salary at least 25% or with time-off in equal duration with the effectuated work time during the weekend plus an additional time-off equal to at least 25% of the duration of the effectuated work.

Retirement Age

Pursuant to the Law on Social Insurance, as amended, the retirement age is 65 for men and 60 years and ten months for women for 2019. However, particular laws apply for certain difficult professions, such as for mine workers, which may retire at the age of 55.

Minimum Salary

According to the Decision of the Council of Ministers No. 809, dated 26 December 2018 “On determination of the minimum wage in Albania” a new basic minimum monthly salary is applicable from January 2019. As per the above Decision, the basic minimum monthly salary is now ALL 26,000. The basic minimum monthly salary is paid in respect of 174 hours per month carried out during normal working hours.

WORKING CONDITIONS

Obligations of the Employer

The employer must observe its employees' fundamental rights. The employer must protect its employees' personality; take the necessary measures to prevent moral and sexual harassment; keep the personal data of the employee confidential and take proper measures for this purpose; ensure that the working premises are clean and will not harm their employee's health; refrain from taking control of the personal goods of the employee; keep an employee's register; make available to employees a copy of the Labor Code; be provided with administrative authorization; keep all necessary documentation regarding accidents that occur in the course of work; ensure adequate air ventilation in the work premises; undertake proper measures to avoid loud sounds and vibrations in the place of work; maintain the work equipment and the machinery; ensure the employee has all the necessary equipment to perform their duties; make available to the employee food and water during working hours; and keep first aid equipment on the work premises.

Obligations of the Employee

The Albanian Labor Code places various obligations on the employee including duties of loyalty to the employer; to perform his/her work carefully and personally; to obey to the orders and instructions of the employer, unless they differ from the provisions of the contract; to return to the employer any equipment provided during the employment term; to indemnify the employer for losses incurred as a result of the employee's negligent or fraudulent behavior.

At the termination of the employment relationship the parties may enter into a noncompetition agreement for a term of no longer than one year. In such a case, the employer must pay to the employee compensation of at least 75% of the salary

he/she would have earned in that period if the employment relationship would have not been terminated.

Anti – Discrimination

Pursuant to the Albanian Labor Code, any act constituting discrimination against an employee as regard to the employment rights, is prohibited. With discrimination it is understood any difference, exclusion, limitation or prejudice based on gender, race, color, ethnicity, language, gender identity, sexual orientation, political, religious or philosophical views, economic, education or social status, pregnancy, parental affiliation, parenting responsibility, age, family or marriage status, civil status, residence, health conditions, genetic predispositions, disability, living with HIV/AIDS, affiliation with unions, affiliation to a special group, or for any other reason which aims to prohibit the exercising of employment right equally to others and freedom of profession.

However, precautionary measures or requirements in respect of a given function adopted by an employer and permitted under the Albanian Labor Code or under other normative acts may not constitute discriminatory acts.

EMPLOYMENT CONTRACTS

Employment contracts may be agreed or modified verbally or in writing between the employer and the employee. In the case of a verbal contract, the employer should draft a written document reflecting the agreement within 7 days from the day of employment.

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

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

- a. the identity of the parties;
- b. the workplace;
- c. the general description of the job;
- d. the date of starting the job;
- e. the duration, when the parties enter into a contract of defined time limits;
- f. the duration of paid vacations;
- g. the notice term to terminate the contract;
- h. the constituent elements of the salary and the day on which it is given;
- i. the normal working time per week;
- j. the collective contract in force;
- k. probation period;
- l. the types and procedures of disciplinary measures when no collective contract is in force.

Information stated under points: “f”, “g”, “h”, “i” and “k” above does not have to be explicitly stated in the contract, they may be included by reference to the respective article of the applicable law.

Termination of Employment Contracts

Where the employee and the employer have entered into an employment contract for a determined term, such contract shall terminate at the end of its term, without additional notice. When, after the expiry of the defined term, a contract is tacitly extended it will be treated as a contract of unlimited term.

Hence, its termination shall be subject to the procedures for terminating unlimited term contracts set forth in the Albanian Labor Code.

When the parties have entered into consecutive contracts of limited term for an employment period which lasts at least three years, the non – renewal of the contract by the employer is treated as termination of a contract of unlimited term. Contracts of a defined term between the same parties shall be considered as consecutive even where there is a short interruption, not longer than 3 (three) months, between the termination of a contract and the execution of another one.

Pursuant to the Albanian Labor Code the first three months of employment will be considered as a probation period. During the probation period each party may terminate the employment agreement by giving the other party at least five days' notice.

In addition, terminating employment after the probation period will be subject to specific procedures and requirements determined by the Albanian Labor Code.

In this context, before terminating any employment contract, the employer should deliver a prior notification to the employee indicating its intention to terminate the employment contract and the reasons for such termination. No less than 72 hours after the delivery of the notice a meeting must take place in order to discuss the intention to terminate the employment contract. The employee must be notified of the decision to terminate the employment contract and the reasons for such termination (such as performance, behavior of the employee, or the operational needs of the employer), no less than 48 hours after the meeting and no more than one week after such meeting.

If the employer fails to comply with such termination procedure he/she, is liable to pay to the employee a penalty equal to the salary of two months.

The employment contract with unlimited term shall be considered terminated after (a) notice of termination has been delivered to the employee, and (b) once the subsequent notice period has elapsed, such period being as set out below.

Pursuant to the Albanian Labor Code, each party must give at least the following notice to the other party to terminate an unlimited term employment contract:

- 2 (two) weeks in case the employment lasts up to 6 (six) months;
- 1 (one) month for the period from 6 (six) months up to 2 (two) years of work;
- 2 (two) months for the period from 2 (two) years up to 5 (five) years of work;
- 3 (three) months for more than 5 (five) years of work.

An employment contract may be terminated with immediate effect for reasonable cause. A reasonable cause as per the Albanian Labor Code would be any serious circumstances that do not allow for the continuation of employment.

Where termination for unfair reasons, such as race, color, sex, age, civil status, pregnancy, religious belief, etc., or on the basis of legal proceedings issued by the either party, or the employee's membership of an employees' union, then the employer may be liable to pay the employee up to one year's salary.

Further, pursuant to the Albanian Labor Code, the employee is entitled to a seniority bonus where "the employment contract is terminated by the employer and the employee has served at least three years". The employee shall not receive the seniority bonus where the employment contract is terminated with immediate effect for reasonable cause. The seniority bonus will be not less than 15 day's salary for each year of employment.

Collective Dismissal

As per the Albanian Labor Code, collective dismissal is the termination of employment, on the initiative of the employer, for reasons unrelated to the employee, where the number of employees dismissed, within a period of 90 days, is at least 10 in enterprises with up to 100 employees, 15 in enterprise with 101 up to 200 employees, 20 in enterprises with more than 200 employees.

The employer intending to undertake a collective dismissal must notify its employees in writing. The notice must be given to the workers association, and if this case is not applicable it shall be published in the working premises visible to the employees and it must indicate the following:

- The reasons for the termination;
- The number of employees to be dismissed;
- The number of employees currently employed;
- The period during which it is foreseen that the collective dismissals will take place.

A copy of such notice must also be delivered to the Ministry responsible for labor.

Unless the employer indicates a longer period, for a period of 30 days from the date of the above notification, the employer should meet and discuss with the representative association of the employees or if this is not the case with the employees subject to the collective dismissal. The scope of this meeting is to take any eventual measures to avoid or reduce the number of dismissed employees and to manage the consequences of any collective dismissal.

At the conclusion of these discussions, the employer should notify the Ministry on the decision. In case no agreement is reached between the employer and the employees, the Ministry will help the parties to reach an agreement within 30 days from

the date of notifying the Ministry. In any case, the Ministry may not impede a collective dismissal.

Upon termination of the above mentioned period, the employer will give notice to the employees of the termination of their employment to terminate at the expiry of the relevant notice period. The employer that does not follow procedure of the collective dismissal is obliged to indemnify the employees with six salaries, in addition to the salary given during the notification period and any other violation of the notification term, as required by the Labor Code.

Furthermore, employees dismissed through the collective dismissal procedures receive a seniority bonus if they have served the employer for a period of at least three years.

HOLIDAYS/PAID LEAVE (ANNUAL AND OTHER LEAVE)

Annual Leave

The employee is entitled to annual leave of at least four calendar weeks. Such leave must have been taken by no later than three months after the start of the following year. When the employee has worked for the employer for less than one year, the annual leave term will be determined in correlation to the time during which it has worked. The term of annual leave does not include the Public Holidays. Should the Public Holiday fall in a day during the annual leave, the latter shall be extended with one more day.

Paid leave

The Employee is entitled to 5 (five) days leave of absence, paid, which will not be considered as annual vacation, for certified marriage of the employee, or the death of consort/partner, direct descendants and ascendants. In case of birth of a child,

the father is granted 3 (three) days of paid leave. In addition, unpaid leave of absence not exceeding 30 (thirty) consecutive days may be granted to the Employee for severe illness among its family members, partner, direct ascendants and descendants, provided that a medical certificate substantiates the illness.

Illness

If the employee cannot work because of illness, the employer will pay him not less than 80% of his/her salary for the initial 14 days period not covered by Social Insurance. The illness should be supported by a medical certificate and, if required by the employer, the employee will undergo a medical examination by a doctor appointed by the employer.

Notwithstanding the above, the employee loses his/her rights against employer when refusing without cause to undergo a medical examination requested by the employer.

National Holidays

In Albania the following Public Holidays are observed:

New Year (1 and 2 January)

Summer Day (14 March)

Nevruz Day (22 March)

Catholic Easter and Orthodox Easter (variable date)

Workers' Day (1 May)

Bajram (two variable days)

Mother Theresa Day (5 September)

National Independence and Liberation Day (28 and 29 November)

Youth Day (8 December)

Christmas (25 December)

Should a Public Holiday fall on a day off, the next working day will be taken off as a Public Holiday.

ACQUISITION AND REGISTRATION OF IMMOVABLE PROPERTY

REGISTRATION OF IMMOVABLE PROPERTY IN ALBANIA

Law No. 111/2018 “On Cadaster”, dated 07.02.2019 regulates the public service of the registration of immovable property, the organization of the competent authorities and the administration of the cadaster, as a public register of immovable properties. In terms of registration procedures, no major changes are introduced in comparison with the former law (i.e. 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 public authority organized in central level (General Directorate) and local level (Local Directorates), for purposes of administering the state cadaster and public services thereto. Art. 30 of the Law provides that the initial registration of a property is done in a cadastral zone identified by the local directorate. Moreover, the local directorate registers property titles created by the transactions between subjects of private law, by court orders or other public authorities. The register of cadaster contains all information related to the immovable property: identity of its owner, the value, the identification number, the surface and the boundaries of the property, the date of registration and the relative deed of the ownership acquisition, and maps that show the location of property. In addition, any mortgage, easement, court dispute, restriction order, right to use or any other right connected to or deriving from the immovable property that is transferred to any third party, should be recorded to the register. Any contract or other legal instrument effecting transactions involving an immovable property must be filed with the competent Local Office within 30 days from its execution. The Local Office

shall reject any subsequent transactional act which has no chronological continuity, and which would create an overlapping of the titles. The Local Office will issue the relevant certificate (ownership, usufruct, easement, rent) upon request of the owner or holder of the relevant right. An immovable property that is registered for the first time is subject to temporary registration. The competent office issues a temporary registration valid for 45 consecutive days. During this period any interested person can file with the office any claim or request for the correction of the mistakes. No claims submitted after the expiry of the temporary period shall be considered. If no claims are made within the temporary period or if any claim submitted has been settled in agreement between the parties, the said property will be classified as permanently registered. Where there is a claim and the parties fail to agree upon a solution, the case shall be resolved by the competent court.

GOVERNMENT CONTROLS

COMPETITION LAW

Albanian's competition protection system is governed by law no. 9121 "On the Protection of Competition" (Competition Law), which entered into force on 1 December 2003. It is designed to harmonize the Albanian competition system with the *Acquis Communautaire*. The Albanian Competition Authority ("ACA") is the authority entitled to perform an *ex ante* and *ex post* investigations into the operations in the relevant market from a competition law perspective.

The pillars of the Albanian Competition Law, which mainly follow EU competition legislation, are the prohibition of restrictive agreements, abuses of dominant positions and concentrations harming the competition on the market, when such are carried out by "undertakings".

For the purposes of this law, any domestic or foreign natural persons and public legal or private legal entities, engaged in a commercial activity will be considered to be undertakings, provided that their activity has an impact on the national market.

AGREEMENTS RESTRICTING COMPETITION

Competition Law prohibits agreements that have as their object the prevention, restriction or distortion of competition in the market, unless they meet certain conditions to qualify for the exemption granted by the ACA, either individually or on a category basis. In addition, the Competition Law includes the *de minimis* rule pursuant to which those agreements are considered to not significantly affect competition in the market may be exempted from the prohibition in the cases

when the market share of the undertakings participating in the agreement does not exceed the 10% of the relevant market where undertakings compete actually or potentially or when their market share is 15% of the relevant market where the participants are not competitors.

Undertakings have an obligation to notify restrictive agreements to the ACA, which will then decide whether the said agreements will be considered prohibited under the Competition Law.

CONTROL OF CONCENTRATIONS

The provisions of the Competition Law establish that the concentrations of undertakings involving a lasting change of control as a result of: (i) the merger of two or more undertakings or parts of undertakings independent of each other; (ii) the acquisition of direct or indirect control by (a) one or more natural persons (individuals) that also have control of at least one other undertaking, or (b) one or more other undertakings, or part of these undertakings whether by purchase of shares or assets, by contract or by any other legal means; (iii) the acquisition of direct or indirect control of one or more undertakings or parts of such undertakings; (iv) the creation of a joint venture that does not have as its object or effect the coordination of competing activities between two or more independent undertakings, shall be notified to the Albanian Competition Authority for its authorization if in the financial year preceding the concentration, the notification thresholds were met. The notification must take place within 30 days of the conclusion/signature of the relevant agreement (merger, acquisition of control, or creation of a joint venture) and announcement of any public bid.

The notification thresholds are met where (a) the combined worldwide turnover of all the participating undertakings exceeds ALL 7 billion and the domestic turnover of at least one participating undertaking exceeds ALL 200 million, or

(b) the combined domestic turnover of all the participating undertakings exceeds ALL 400 million and the domestic turnover of at least one participating undertaking exceeds ALL 200 million.

The Competition Law outlines preliminary and in-depth procedure for ACA's assessment of concentrations. In the preliminary proceedings, the ACA will examine the notification in order to determine whether the concentration "reveals signs of substantial restriction of the competition in the market or in a part of the market, especially, as a result of the creation or strengthening of the dominant position". After the preliminary proceedings, ACA decides either to allow the concentration upon fulfillment of certain conditions and duties or to go through in-depth proceedings. During the latter, ACA will assess whether the concentration substantially restricts competition in the market or in a part of the market, especially, as a result of the creation or strengthening of the dominant position.

ABUSE OF DOMINANT POSITION

A dominant position is not prohibited per se, but rather the abuse of such a dominant position. The law recognizes the existence of single (where one undertaking is involved) and collective (where several more undertakings are involved) dominant position. A dominant position is defined as an economic power held by one or more undertakings that enable it or them to impede the effective competition in the market meaning it or they can act, with regard to supply and demand, independently of other participants in the market, such as: competitors, clients and consumers.

Competition Law provides a non exhaustive list of the criteria to be assessed in establishing whether there exists a dominant position or a prohibited abusive behavior.

Indicatively, the fixing of unfair sale or purchase prices and the adoption of discriminatory practices are considered to be abusive behavior.

APPENDIX A

PROFIT TAX FORM

Taxpayer

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

Calculation of profit

	Accounting	Fiscal
Revenues and Expenses		
(8/9) Revenue	8	9
(10/11) Expenses	10	11
(12) Non-deductible expenses	12	12
Profit		
(13/14) Loss	13	
(15/16) Profit	15	
(17) Loss carried forward	17	
(18) Net taxable profit (16-17)	18	
Profit tax calculation		
(19) Profit tax at standard tax rate	19	
(20) Profit tax at other rates	20	
(21) Profit tax (19+20)	21	
(22) Deferred profit tax	22	22
(23) Payable profit tax	23	

APPENDIX B

FINANCIAL STATEMENT FORMATS

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

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

5. Notes payable	x	x
6. Payables to economic units within the group	x	x
7. Payables to economic units where has participating interests	x	x
8. Payables to employees and social/health insurance	x	x
9. Payable taxes	x	x
<hr/>		
Accrued expenses	x	x
Deferred income	x	x
Provisions	x	x
Total of current liabilities	x	x
<hr/>		
Non-current liabilities	x	x
1. Borrowings	x	x
2. Liabilities toward credit institutions	x	x
3. Advance payments	x	x
4. Payable for operating activity	x	x
5. Notes payable	x	x
6. Payables to economic units within the group	x	x
7. Payables to economic units where has participating interests	x	x
8. Other payables	x	x
Payable for accrued expenses		
Deferred income	x	x
Provisions:		
1. Pensions provisions	x	x
2. Other provisions	x	x
Deferred tax liability		
Total non-current liabilities	x	x
<hr/>		
Total liabilities	x	x
Equity and reserves	x	x
Share capital	x	x
Share premium	x	x
Revaluation reserve	x	x
Other reserves	x	

1. Legal reserves	x	x
2. Statutory reserve	x	x
3. Other reserves	x	x
Retained earnings	x	x
Profit/loss of the year	x	x
Total Equity	x	x
TOTAL LIABILITIES AND EQUITY	x	x

STATEMENT OF COMPREHENSIVE INCOME

Form 1 – Operating expenses classified by nature

	2xx2	2xx1
Income from operating activity	x	x
Changes in inventory of finished goods and work in progress	(x)	(x)
Work performed by entity and capitalized	x	x
Other operating income	x	x
Raw materials and consumables used	(x)	(x)
1. Raw material and consumables used		
2. Other expenses		
Employee expenses	(x)	(x)
1. Salaries and bonuses		
2. Health and social security expenses (presented separately from pension contributions)		
Depreciation of non-current assets	(x)	(x)
Impairment and depreciation expenses	(x)	(x)
Other operating expenses	(x)	(x)
Other revenues	x	x
1. Income from economic units where has participating interests (income from economic units within the group are presented separately)		
2. Income from investments and other loans part of non-current assets (income from economic units within the group are presented separately)		

3. *Interests and other similar income (income from economic units within the group are presented separately)*

Depreciation of financial assets and investments held as current assets	(x)	(x)
Financial expenses	(x)	(x)
1. Interest and similar expenses (income from economic units separately) within the group are presented separately)		
2. Other financial expenses		
Profit/loss from participation	x	x
	2.4 cm	2xx1
Profit/loss before taxes	x	x
Profit	(x)	(x)
1. Current tax		
2. Deferred tax		
3. Participation tax		
Profit/loss of the year	x	x
Profit/loss for:	x	x
Owners of the parent Company		
Non controlling interests		

STATEMENT OF OTHER COMPREHENSIVE INCOME

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

Total comprehensive income/loss for:	x	x
Equity holders of the parent		
Non controlling interests		

CASH FLOW STATEMENT
(Indirect method)

Cash flow from operating activities	2XX2	2XX1
Profit for the year	x	x
Adjustments for non monetary items		
Financial non monetary expenses	x	x
Expenses for tax on non monetary profit	x	x
Depreciation and impairment	x	x
Depreciation of long term material assets	x	x
Cash flow from investing activities:		
Proceeds from sale of property, plant and equipment	(x)	(x)
Changes in assets and liabilities:		
Decrease/(increase) in trade receivables and others	(x)	(x)
Decrease/(increase) in inventories	(x)	(x)
Increase/(decrease) in trade payables	x	x
Increase/(decrease) in employee related liabilities	x	x
Net cash generated from/(used in) operating activities	x	x
Cash flow from (used in) investing activities:		
Cash used in purchase of affiliates	x	x
Cash from sale of affiliates	x	x
Purchase of property, plant & equipment	x	x
Purchase from sale of property, plant & equipment	x	x
Purchase of new investment	x	x
Proceeds from sale new investments	x	x

Dividends received	x	x
	x	x
Net cash used in investing activities		
Cash flow from/(used in) financing activities		
Proceeds from issue of ordinary shares	x	x
Proceeds from shares used as collateral	x	x
Proceeds from borrowing	x	x
Payment of transaction costs related to borrowing	(x)	(x)
Repurchase of own shares	(x)	(x)
Payment of shares used as collateral	(x)	(x)
Payment of borrowings	(x)	(x)
Payment of finance lease liabilities	(x)	(x)
Interest paid	(x)	(x)
Dividends paid	(x)	(x)
Net cash flow from financing activities	(x)	(x)
Net increase/decrease in cash and cash equivalent	(x)	(x)
Cash and cash equivalent on 1 January	x	x
Effects in exchange rate changes	x	x
Cash and cash equivalent on 31 December	x	x

STATEMENT OF CHANGES IN EQUITY

(Non-consolidated accounts)

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

Profit/loss for the year							X	X	X	X	X
Other comprehensive income:		X					X	X	X	X	X
Total comprehensive income for the year:		X					X	X	X	X	X
Transactions recognized directly in equity:											
Issuance of shares	X	X							X		X
Dividends paid	(X)						(X)	(X)	X		X
Total of transactions	X	X					(X)	(X)	X		X
Balance at 31 December 2XX2	X	X	X	X	X	X	X	X	X	X	X

BOGA & ASSOCIATES SERVICES AT A GLANCE

Boga & Associates, established in 1994, has emerged as one of the premier law firms in Albania and Kosovo, earning a reputation for providing the highest quality of legal, tax and accounting services to its clients. Until May 2007, the firm was a member firm of KPMG International and the Senior Partner/ Managing Partner, Mr. Genc Boga, was also the Managing Partner of KPMG Albania.

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

The firm maintains its commitment to quality through the skills and determination of a team of attorneys and other professionals with a wide range of skills and experience.

With its diverse capabilities and experience, the firm acts for leading businesses in most major industries, including banks and financial institutions, as well as companies working in the insurance, construction, energy and utilities, entertainment and media, mining, oil and gas, professional services, real estate, technology, telecommunications, tourism, transport, infrastructure and consumer goods sectors.

The firm offers its clients every legal, tax and accounting service they may require to do business in Albania and Kosovo. Over the years, the firm has advised on privatization transactions, concessions, real estate transactions, setting up businesses, credit facilities and custom and tax issues, all with a keen sensitivity to developments in the business environment.

CORPORATE SOCIAL RESPONSIBILITY

Boga & Associates is strongly committed to corporate social responsibility. Boga & Associates activities can have impacts, both large and small, outside the firm and it continually demonstrates its commitment to supporting the communities of which it is a part. Individually and collectively, Boga & Associates partners and employees contribute to strengthening communities, enhancing the environment and creating a sustainable business future.

EXPERTISE

Legal

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

Tax

- Tax Advice
- Tax Audit Services
- Tax Compliance

Accounting

- Bookkeeping Services
- Accounting Advice

ACHIEVEMENTS OF BOGA & ASSOCIATES



Chambers Global, Top Ranked 2019

- General Business Law
- Leading Lawyers



Boga & Associates

Chambers Europe, Top Ranked 2019

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



The Legal 500, Top Ranked 2019

- Legal Market Overview



IFLR 1000, Top Tier Firm 2020

- Financial & Corporate
- Project Development
- Leading Lawyers



Benchmark Litigation Europe 2020

- Top Ranked in Dispute Resolution



World Trademark Review 1000 2020

- Top Ranked

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