Investment in Albania
Preface

Dear reader,

This publication presents an overview of matters to be considered by those thinking of investing or doing business in Albania. The information presented in this publication has been carefully researched, and all efforts have been taken to ensure the information is correct and reflects the current situation as of September 2007 unless otherwise stated.

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

Due to the continuous growth and constant change in Albania it is important to obtain further information before concluding any decisions regarding investments. We would appreciate the opportunity to assist you in planning and implementing your investment in Albania.

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Chapter 1

General Information

Geography and Climate

Albania is a southeast European country. It is located in the west of the Balkan Peninsula and covers a surface of 28,748 km². Albania borders the Republics of Serbia and Montenegro in the north and east, the Former Yugoslav Republic of Macedonia in the east, and Greece in the south. Kosovo (Kosova in Albanian) borders the northeast of Albania. Albania has access to the Adriatic and Ionian Seas in the west. The terrain is mostly mountainous. The average altitude of 708 meters is about twice as high as the European average. The country offers numerous beautiful landscapes, archaeological sites, historic castles and other tourist attractions. The climate is Mediterranean with dry hot summers and cool rainy winters. Average rainfall is 1,300 mm per annum.

Albania is in the Central European time zone and hence is one hour ahead of GMT. Between April and October it switches into daylight saving time, i.e. GMT+2.

Population and Language

The population of Albania is approximately 3.2 million and its capital, Tirana, has a population of some 700,000 inhabitants. Before 1990 more than 60 percent of the population lived in rural areas. After this date there was considerable internal migration from rural areas to urban ones and from small towns to bigger cities, especially to Tirana.

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

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

Currency

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

Up until 1996, the Lek remained relatively stable (1 USD was equal to 100 ALL). Following the crisis of 1997, the Lek lost approximately 80 percent of its value against the US dollar and other currencies. More recently, the exchange rate trends of the Lek against the euro and the US dollar have reflected the performance of these two currencies in international
markets. For the second year in a row in 2006, after a long period of appreciation, the Lek’s appreciating dynamic went downward. During 2006 the Lek continued to appreciate against the US dollar, but slightly deppreciated against the euro. Bank of Albania argues that strong economic growth has been supporting the Lek appreciation. The current exchange rate is 1 USD = 90.89 ALL and 1 EUR = 123.62 ALL (Bank of Albania, 4 September 2007).

**Government and Political System**

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

The country is divided into 36 districts grouped into 12 prefectures. The Prefects are appointed by the Council of Ministers. Local elections are held every three years and out of these District Councils are elected. The latter appoint the District Governor. City mayors are directly elected by voters.

The judicial system consists of the Constitutional Court, the Supreme Court, Appeal Court and District Court.

**A Brief History of Albania**

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

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

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

With the fall of the Berlin Wall by the end of 1989 and when major political changes overwhelmed the ex-communist countries in the early 1990s, Albania, too, embarked on the road to transition towards a democratic society and a free market economy.

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

The new government elected in June 1997 made considerable efforts to restore law and order. A new constitution was approved by a national referendum in November 1998. Nonetheless, the recovery process slowed down again in early 1999 with the outbreak of the Kosovo crisis. During this crisis, Albania, supported by the international community, hosted more than 450,000 refugees. After the conflict was resolved, with the initiative of the US and the EU, a Stability Pact for the entire Balkan region was designed with the intention of bringing economic development to the region, as well as social stability and empowerment of the democratic and legal institutions.

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

On 18 February 2006 the government of Albania and the European Union signed the Stabilization and Association Agreement (SAA). The EU Commissioner for Enlargement, Mr. Olli Rehn and Albania’s Minister of Foreign Affairs, Mr. Besnik Mustafaj inked the agreement on behalf of the EU and the Albanian Government, respectively. The final approval of this agreement is signed on 12 June 2006 at the EU summit in Vienna.

**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 abroad to check if rules have changed. Foreign citizens can enter the Republic of Albania after presenting valid passports and entry visas issued by diplomatic or consular representations of the Republic of Albania abroad. The passport should be valid for at least six months after the validity of the visa. A visa shall be issued if the relevant person presents to the Albanian diplomatic or consular representation an invitation from an institution or private person resident in the Republic of Albania.
Holders of ordinary passports

a. Foreign citizen holders of ordinary passports can enter Albania without an entry visa if they are citizens of the states noted in Chart 1. They have to present their valid passports at the border crossing point, where they pay an entry fee of Euro 10, and are granted a stay permit of 90 days. The entry fee is established on the basis of reciprocity. Foreign citizens must have the necessary currency to sustain themselves during their stay in the Republic of Albania.

**Chart 1 – Country**

<table>
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<tr>
<th>Australia</th>
<th>Greece</th>
<th>Portugal</th>
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<td>Austria</td>
<td>Netherlands</td>
<td>San Marino</td>
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<td>Belgium</td>
<td>Ireland</td>
<td>South Korea</td>
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<tr>
<td>Canada</td>
<td>Iceland</td>
<td>Spain</td>
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<td>Denmark</td>
<td>Italy</td>
<td>Sweden</td>
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<tr>
<td>Finland</td>
<td>Japan</td>
<td>Switzerland</td>
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<tr>
<td>France</td>
<td>Luxembourg</td>
<td>Turkey</td>
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<tr>
<td>Germany</td>
<td>New Zealand</td>
<td>USA</td>
</tr>
<tr>
<td>Great Britain</td>
<td>Norway</td>
<td>Bulgaria</td>
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<tr>
<td>Czech Republic*</td>
<td>Estonia</td>
<td>Hungary</td>
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<tr>
<td>Croatia</td>
<td>Latvia</td>
<td>Lithuania</td>
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<tr>
<td>Liechtenstein</td>
<td>Malaysia</td>
<td>Malta</td>
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<tr>
<td>Poland*</td>
<td>Rumania</td>
<td>Cyprus</td>
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<tr>
<td>Singapore</td>
<td>Slovakia</td>
<td>Slovenia</td>
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* entry without tax

Holders of diplomatic and service passports

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

b. Pursuant to bilateral agreements, Albanian citizens who hold diplomatic or service passports can travel to the countries given in Chart 2 without an entry visa with a stay permit up to 90 days.
Employment of Foreigners

Working permit

Foreigners wishing to work in Albania for a period of more than three months should obtain the working permit issued by the Ministry of Labor and Social Affairs.

However, should the foreign individuals fall into the following categories an exemption from the working permit is provided:

a. representatives and employees of the diplomatic representative offices of the international organization with a diplomatic status;

b. representatives of non profit governmental organizations;

c. executive directors and important employees of foreign companies who exercise or intent to conduct activity in Albania;

d. specialists in the framework of bilateral and multilateral agreements;

e. staff of international transportation of goods and people;

f. lectures, members of scientific staff, university lectures/professors, members of scientific staff of private scientific organizations, if there is a public interest, due to their particular knowledge;

g. representative of mass media, correspondents or reporters, working for foreign employers;

h. university students participating in exchange summer works based on the respective agreements.
The documents required in the context of application with the Ministry for obtaining the working permit, are the following:

1. Personal request of the employee including a brief summary of the applicant’s work experiences;
2. Application form for the work permit to be filled and signed by the employer supporting the request for the working permit of the employee (pre-stamped form);
3. Declaration of the employer for the employment of one foreigner towards two Albanian citizens;
4. Passport photocopy as well the photocopy of the page showing the last entry into Albania;
5. Degree or professional certificate;
6. Criminal records certificate of the employee issued in the country of origin;
7. Medical certificate issued by the relative authorities in the country of origin or in Albania;
8. Labor contract entered into between the employer and the employee;
9. Court decision for the registration of the employer with the commercial register;
10. Certificate of registration of the legal entity with the tax authorities;
11. Declaration of employees (pre-stamped form), which is quarterly submitted to the Employment Office, indicating the number and the relevant information of the employees;
12. Declaration of employees (pre-stamped form) which is quarterly submitted to the Tax Authorities, indicating the payment of social and health contributions of the employees;
13. Notice addressed to the Employment Office in Tirana to indicate the job vacancies in the company;
14. Five (5) photos size (3.4 x 4.5)

The Ministry will issue its decision on the working permit application within 30 days from the date of the submission of the documentation. Official fee for the work permit is ALL 6,000 or approximately EUR 50.

Once the foreigner obtains the working permit application for the residence permit should be made.

**Residence of Foreigners**

**Residence permit**

Foreigners who enter in the Republic of Albania and will stay more than 90 days must apply for the residence permit to be issued by the Ministry of Interior. In order to obtain the residence permit, the following documents must be submitted at the Local Police Station, where the foreigner resides:

1. Personal request indicating the reason of the residency in Albania;
2. Application form (pre-stamped form) for the residence permit to be filled and signed by the applicant;
3. Passport photocopy as well the photocopy of the page showing the last entry into Albania;
4. Copy of the work permit;
5. Criminal records certificate of the applicant issued in the country of origin;
6. Family certificate, if applicable;
7. Employer’s certificate indicating the reason of residency of the employee;
8. Copy of the lease agreement for the premises, where the employee is residing;
9. Court decision for the registration of the employer with the commercial register;
10. Certificate of registration of the employer with the tax authorities;
11. 2 (two) photos size (3.4 x 4.5).

The Ministry will issue its decision on the working permit application within 30 days from the date of the submission of the documentation. The total official fee for the residency permit is ALL 24,000 or approximately EUR 200.

The person applying for the work and/or residency permit must be personally present in the moment of the delivery of the documents as well as in the moment of the withdrawal of relevant permits.

All documents required for the issuance of the work and/or residency permit should not be older than three months from the date of application with the Local Employment Office and/or Police Station.

In order to obtain work and/or residence permits, all documents executed abroad should be legalized with Apostille in accordance with the Hague Convention of October 1961, applicable in Albania since 2003. They shall be then translated into Albanian language and notarized by a notary public.

**Accommodation**

Tirana offers the best opportunities for accommodation. Almost all the major hotels and well-known restaurants accept credit cards. However, Albania remains predominantly a cash society and most payments in shops, restaurants etc., are settled in cash. A good source of information on hotels throughout Albania and respective rates is www.albania-hotel.com.

Foreigners that plan to stay longer in Albania can rent houses and apartments. The rental cost for 100 m2 is approximately USD 600. There are several real estate agencies operating in Tirana, although the market is not very developed and the best way to find good accommodation is through Albanian colleagues or the foreign community.

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

The public administration works five days a week from 08.00 to 16.30 hrs Monday through Thursday. Working hours on Friday are from 08.00 to 14.00 hrs. The Banks operate from 09.00 to 15.00 hrs, whereas most shops are open everyday from 09.00 to 19.00 hrs.

Airport and telecommunications

The only civil airport in Albania is Rinas Airport, named after Mother Theresa, which is about 25 minutes drive from Tirana. Taxis are easy to arrange, but prices should be negotiated in advance. A one-way taxi journey into the city is approximately USD 20-25.

Telecommunication is still a challenge in Albania, as some areas are rather difficult to access via telephone. Mobile communication services are offered by two distributors, Albanian Mobile Communication and Vodafone, covering almost all Albanian territory.
Chapter 2
Economic Survey

Key Indicators

The year 2006 was marked by increased sales volumes; low inflation consistently within the range set by the Bank of Albania (BoA) of 2-4 percent, improved revenue performance and increased credit to the economy by the banking sector, along with a stable monetary situation.

Economic Indicators

Inflation remained subdued, averaging 2.4 percent for 2006. According to BoA the controlled inflation was also supported by low oil prices at the second part of the year that helped reducing the costs of production and transport. The decline in food and agricultural products prices weakened the overall increase in prices during the first half of the year despite upward pressures on prices from rents and utilities. The Lek also contributed somewhat to low inflation levels even though its appreciation trend went downward in 2006.

Capital investments realized below the planned levels coupled with the serious electrical power shortages during Q4 negatively impacted the economic growth rate and restrained economic activities. However, according to Bank of Albania, the economy grew in real terms in 2006 by 5.0 percent, less than the forecasted level.

Table 1

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tbody>
<tr>
<td>Nominal GDP ALL (Bn)</td>
<td>624.7</td>
<td>682.7</td>
<td>766.4</td>
<td>836.8</td>
<td>896.3</td>
</tr>
<tr>
<td>Nominal GDP USD (Bn)</td>
<td>4.459</td>
<td>5.600</td>
<td>7.455</td>
<td>8.385</td>
<td>9.136</td>
</tr>
<tr>
<td>Nominal GDP/Capita (USD)</td>
<td>1,441</td>
<td>1,800</td>
<td>2,427</td>
<td>2,674</td>
<td>2,855</td>
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Growth Rate (%)

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<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tr>
<td>Real GDP</td>
<td>2.9</td>
<td>5.7</td>
<td>5.9</td>
<td>5.5</td>
<td>5.0</td>
</tr>
<tr>
<td>Retail prices (avg.)</td>
<td>5.2</td>
<td>2.4</td>
<td>2.9</td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Retail prices (end of period)</td>
<td>1.7</td>
<td>3.3</td>
<td>2.2</td>
<td>2.0</td>
<td>2.5</td>
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Savings-Investment Balance (in % of GDP)

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<tr>
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<th>2004</th>
<th>2005</th>
<th>2006</th>
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<tbody>
<tr>
<td>Foreign Savings</td>
<td>7.2</td>
<td>5.5</td>
<td>3.8</td>
<td>5.5</td>
<td>5.8</td>
</tr>
</tbody>
</table>
Source: Bank of Albania, IMF, Ministry of Finance

The following table presents the origins of the Albanian Gross Domestic Product through the years.

Table 2

<table>
<thead>
<tr>
<th>Domestic Savings</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006*</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Public</td>
<td>0.0</td>
<td>-0.1</td>
<td>0.1</td>
<td>1.4</td>
<td>2.4</td>
</tr>
<tr>
<td>-Private</td>
<td>17.4</td>
<td>18.0</td>
<td>19.9</td>
<td>17.2</td>
<td>16.8</td>
</tr>
<tr>
<td>Investment</td>
<td>24.5</td>
<td>23.4</td>
<td>23.8</td>
<td>24.2</td>
<td>25.0</td>
</tr>
<tr>
<td>-Public</td>
<td>6.7</td>
<td>4.6</td>
<td>5.0</td>
<td>5.2</td>
<td>5.6</td>
</tr>
<tr>
<td>-Private</td>
<td>17.8</td>
<td>18.8</td>
<td>18.8</td>
<td>19.0</td>
<td>19.4</td>
</tr>
</tbody>
</table>


Albania’s economic growth is helping to improve the country’s labor market, whose jobless numbers have been improving in the last several years. The unemployment rate was 13.8 percent for 2006, the lowest level in recent history. (GRAPH 1).
Fiscal Indicators

In 2005, the overall fiscal deficit declined substantially as a result of new measures aimed at strengthening the revenue administration and rationalizing expenditures. (Refer to Table 3). It reached the lowest level in the last seven years as a percentage of GDP, easing the burden it presents to financial resources for the economy. The deficit declined to 3.4 percent of GDP (from revenues of 24.4 percent of GDP and expenditures of 27.8 percent of GDP), well below the projected level of 5 percent of GDP.

In 2006, though public expenditures increased well over the revenues, causing budget’s deficit upward.

Fiscal revenues were 98.4 percent of forecasted revenues in 2006 compared to 93.1 percent and 92.7 in 2004 and 2003 respectively. Expenditures on the other hand, recorded a limited increase of 0.9 percent in 2006 representing 95.4 percent of planned expenditures for the year.

<table>
<thead>
<tr>
<th>Year</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>24.7</td>
<td>24.5</td>
<td>24.1</td>
<td>24.4</td>
<td>24.6</td>
</tr>
<tr>
<td>Expenditures</td>
<td>31.4</td>
<td>29.0</td>
<td>29.2</td>
<td>27.8</td>
<td>28.7</td>
</tr>
<tr>
<td>Overall Balance</td>
<td>-6.6</td>
<td>-4.5</td>
<td>-5.1</td>
<td>-3.4</td>
<td>-4.1</td>
</tr>
</tbody>
</table>

Source: INSTAT, Bank of Albania

Graph 1

Unemployment during years

Source: Ministry of Finance, IMF
Monetary Indicators

Bank of Albania has absorbed round 3.9 billion ALL during the first half of the year, passing on the injection trend during the rest of the year. This policy is justified by the BoA with the increasing demand for money and the concentration of the budged deficit at the end of the year. During 2006 the public sector’s demand for money slightly increased by 3.3%. Bank of Albania confirms that this relatively low level has balanced the high crediting of the private sector, influencing in the securing positive monetary stability.

Credit to the economy in 2006 experienced a strong surge with an increase in outstanding loans of 56.7 percent compared to 2005. At the end of 2006, outstanding loans totaled ALL 191.2 billion which translates to 21.3 percent of GDP compared to 14.6 percent at the end of 2005.

After increasing its repurchase agreement rate twice by 25 basis points to 5.5 percent in 2006, as presented in Table 4, the BoA pursued a neutral monetary policy during the rest of the year holding the key interest rate unchanged. This policy was a result of the stable performance of consumer prices and low inflationary expectations by BoA officials. The Repo rate remains at the 5.5 percent level as of the date of this publication.

Table 4

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exchange Rates - Period Average</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALL / USD</td>
<td>140.1</td>
<td>121.9</td>
<td>102.8</td>
<td>99.8</td>
<td>98.1</td>
</tr>
<tr>
<td>ALL / EUR</td>
<td>132.4</td>
<td>137.5</td>
<td>127.7</td>
<td>124.2</td>
<td>123.1</td>
</tr>
<tr>
<td><strong>Annual ALL Interest Rates - End of Period (%)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>9.25</td>
<td>7.62</td>
<td>5.99</td>
<td>5.57</td>
<td>4.94</td>
</tr>
<tr>
<td>Loans (weighted avg.)</td>
<td>15.98</td>
<td>10.52</td>
<td>13.73</td>
<td>12.16</td>
<td>12.92</td>
</tr>
<tr>
<td>T-bills</td>
<td>12.62</td>
<td>9.49</td>
<td>8.1</td>
<td>6.91</td>
<td>7.14</td>
</tr>
<tr>
<td>Core Interest Rate (%)</td>
<td>8.50</td>
<td>6.50</td>
<td>5.25</td>
<td>5.00</td>
<td>5.50</td>
</tr>
<tr>
<td><strong>Amounts in ALL (Bn) - End of Period</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>282.34</td>
<td>320.46</td>
<td>366.80</td>
<td>425.50</td>
<td>463.5</td>
</tr>
<tr>
<td>Loans</td>
<td>38.65</td>
<td>50.68</td>
<td>69.97</td>
<td>121.94</td>
<td>191.2</td>
</tr>
<tr>
<td>Credit to Economy (in % of GDP)</td>
<td>6.19</td>
<td>7.42</td>
<td>9.13</td>
<td>14.57</td>
<td>21.3</td>
</tr>
</tbody>
</table>

Source: Bank of Albania, IMF, Ministry of Finance
The World Bank’s Board of Executive Directors discussed on January 10, 2006 the new Country Assistance Strategy (CAS) for Albania. The new CAS covers the period 2006-2009 and envisages a lending program of up to USD 86 million from the International Development Association (IDA) and USD 110 million from the International Bank for Reconstruction and Development (IBRD). The CAS aims to strengthen Albania’s prospects for EU Accession by supporting key aspects of the Stabilization and Association process, the National Strategy for Social and Economic Development (NSSED), a governmental strategy that determines key macroeconomic and fiscal indices in support of the balance of payments, and the Integrated Planning

Financial Sector

During the first transition years, too little was done to build up the extremely underdeveloped financial sector inherited from the communist regime. The inefficiency of financial institutions was one of the main factors leading to the creation and rapid expansion of pyramid schemes, in which many Albanians lost their savings in 1997. The consequences of this financial crisis confirmed that immediate measures had to be taken for solid improvements in this sector.

Banking System

As part of the IMF-supported emergency program, a new banking regulation was approved in July 1998, which formalized a two-tiered banking system. Private Banks are required to have a minimum capital of ALL 700 million and should be incorporated as joint stock companies. Commercial banks and other financial institutions can provide a range of services under the supervision of the Bank of Albania (BoA).

Central Bank

The BoA operates as an independent legal entity accountable directly to the Albanian Parliament. It is responsible for the formulation and implementation of monetary policy in Albania. Specifically the BoA had exclusive power and responsibility to:

- Formulate and implement monetary policy and foreign exchange policies;
- Act as a sole issuer of domestic currency in the Republic of Albania;
- License, supervise and regulate the activities of banks and other financial institutions;
- Provide credit for banks;
- Oversee the payment system in the Republic of Albania and facilitate efficient interbank payments and settlements;
- Hold and manage the official foreign reserves of the Republic of Albania;
- Distribute securities for the state account and issue securities for its own account.

All second-tier banks operating in Albania have the following obligations:

- Report monthly to BoA. These reports should include the balance sheet and profit and loss account for the month, foreign currency balances, changes, if any, within the management of the Board of Directors of the bank, data on the
Bank network structure, interest rates, credit exposures, credit per economic sector, high risk control, adequacy ratio (including total risk), weighted assets and off-balance sheet items, regulatory capital;

- Compulsory reserve;
- Keep records on each transaction greater than ALL 2 million or the equivalent in other currencies;
- Each individual is entitled to transfer from the territory of the Republic of Albania, a total of ALL 3.5 million or the equivalent in other currencies computed using the daily exchange rate, within a period of one year;
- For payments greater than ALL 3.5 million, supporting documentation must be submitted also specifying the allowed payment instrument, i.e. Letter of Credit, Letter of Guarantee of Incasso;
- Report on a monthly basis the provision for doubtful debt;
- Maintain a capital adequacy ratio as defined by the Basel Accord of at least 12 percent;
- Report to the Office for Money Laundering Monitoring at the Ministry of Finance all transactions greater than ALL 20 million or its equivalent in other currencies;
- Maintain an Obligatory Reserve equal to 10 percent of deposits (exclusive of inter and intra-bank deposits);
- Maintain an open currency position with certain limits established by BoA – 20 percent for a single currency and 30 percent for the total portfolio of currencies.

Banking Industry Composition

2006 was another dynamic year for the Albanian Banking system in terms of expansion and enlargements. In total, there were 62 new branches and agencies that commenced operations throughout the territory of Albania. Interestingly, the sector’s growth has been entirely organic and it has yet to experience any M&A activity despite the relative high degree of fragmentation.

List of Banks and their respective presence as at the end of 2006

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Banks</th>
<th>Number of Branches</th>
<th>Number of Agencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Raiffeisen Bank</td>
<td>37</td>
<td>46</td>
</tr>
<tr>
<td>2</td>
<td>Banka Kombetare Tregtare</td>
<td>22</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>United Bank of Albania</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Italian Albanian Bank</td>
<td>-</td>
<td>6</td>
</tr>
</tbody>
</table>
The following Table 6 presents the structure of subjects licensed by the BoA through the years:

<table>
<thead>
<tr>
<th>Banks</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italian Bank for Development</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tirana Bank</td>
<td>32</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>National Bank of Greece</td>
<td>4</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>International Commercial Bank</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Alpha Bank</td>
<td>9</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>American Bank of Albania</td>
<td>10</td>
<td>11</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ProCredit Bank</td>
<td>21</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>First Investment Bank</td>
<td>1</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Emporiki Bank of Greece</td>
<td>3</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Credit Bank of Albania</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Credins Bank</td>
<td>11</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banka Popullore</td>
<td>29</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Union Bank</td>
<td>3</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Institutions (Non-banks)</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign Exchange Bureaus</td>
<td>58</td>
<td>58</td>
<td>54</td>
<td>58</td>
<td>60</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Savings and Loans Associations</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unions of Savings &amp; Loans Associations</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Bank of Albania
The banking system reported a positive net result for the 2006 year of ALL 7.45 billion or about 12.9 percent higher than the previous year. Relative to the GDP, this amount translates to 0.83 percent versus 0.79 percent of the previous year. Following is a table summarizing financial results and profitability ratios for the Albanian banking system (Table 10):

Table 7

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In Percentage</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Results</td>
<td>4.45</td>
<td>5.11</td>
<td>6.60</td>
<td>7.45</td>
</tr>
<tr>
<td><strong>In ALL (bn)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>1.24</td>
<td>1.28</td>
<td>1.40</td>
<td>1.36</td>
</tr>
<tr>
<td>ROE</td>
<td>19.5</td>
<td>21.10</td>
<td>22.24</td>
<td>20.17</td>
</tr>
</tbody>
</table>

*Source: Bank of Albania*

The table below (Table 8) provides some insight on the portfolio composition in the banking industry and the relative developments in the last five years.

Table 8

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In ALL (bn)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>38.65</td>
<td>50.68</td>
<td>69.97</td>
<td>121.94</td>
<td>192.2</td>
</tr>
<tr>
<td>Individuals</td>
<td>7.09</td>
<td>2.29</td>
<td>1.43</td>
<td>38.44</td>
<td>64.4</td>
</tr>
<tr>
<td>Companies*</td>
<td>31.57</td>
<td>38.39</td>
<td>48.55</td>
<td>83.50</td>
<td>127.8</td>
</tr>
<tr>
<td>% of Deposits</td>
<td>13.69</td>
<td>15.82</td>
<td>19.08</td>
<td>28.66</td>
<td>37.4</td>
</tr>
<tr>
<td>% of GDP</td>
<td>6.19</td>
<td>7.42</td>
<td>9.13</td>
<td>14.57</td>
<td>21.3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In ALL (bn)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits</td>
<td>282.34</td>
<td>320.46</td>
<td>366.80</td>
<td>425.50</td>
<td>541.0</td>
</tr>
<tr>
<td>Individuals</td>
<td>234.89</td>
<td>271.62</td>
<td>310.63</td>
<td>357.78</td>
<td>441.57</td>
</tr>
<tr>
<td>Companies*</td>
<td>47.44</td>
<td>48.84</td>
<td>56.17</td>
<td>67.72</td>
<td>99.44</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In ALL (bn)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money outside the Banks</td>
<td>130.78</td>
<td>125.19</td>
<td>138.10</td>
<td>149.68</td>
<td>163.3</td>
</tr>
</tbody>
</table>

*Companies include private and public enterprises.*

*Source: Bank of Albania*
Insurance Industry

The insurance industry in Albania was created in 1991 with the establishment of the first insurance company INSIG, which held a monopoly position in the market for several years. The industry remains small despite increases in both numbers of companies and their product base (about 0.5 percent of GDP in 2006). The market has experienced relatively consistent growth on yearly basis, also supported by the 2006 increase of 11.95 in premiums written versus 2005.

Table 9

<table>
<thead>
<tr>
<th></th>
<th>In number of contracts</th>
<th>In ALL (mln)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compulsory Insurance</td>
<td>327,013</td>
<td>2,976.91</td>
</tr>
<tr>
<td>Voluntary Insurance</td>
<td>180,362</td>
<td>1,530.24</td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life</td>
<td>23,442</td>
<td>307.52</td>
</tr>
<tr>
<td>Non-Life</td>
<td>156,920</td>
<td>1,222.72</td>
</tr>
<tr>
<td>Total</td>
<td>687,737</td>
<td>6,037.39</td>
</tr>
</tbody>
</table>

Premiums written by type

Table 10

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>In ALL (bn)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle Insurance</td>
<td>2,778</td>
<td>2,998</td>
<td>3,144</td>
<td>2,835</td>
<td>2,834</td>
</tr>
<tr>
<td>Property Insurance</td>
<td>633</td>
<td>543</td>
<td>714</td>
<td>806</td>
<td>785</td>
</tr>
<tr>
<td>Health Insurance</td>
<td>106</td>
<td>129</td>
<td>179</td>
<td>147</td>
<td>177</td>
</tr>
<tr>
<td>Life Insurance</td>
<td>285</td>
<td>86</td>
<td>114</td>
<td>238</td>
<td>307</td>
</tr>
<tr>
<td>Total</td>
<td>3,803.70</td>
<td>3,755.10</td>
<td>4,151.40</td>
<td>4,026.00</td>
<td>4,507.15</td>
</tr>
</tbody>
</table>

Source: Insurance Supervisory Authority

As shown in Table 10, motorized vehicles insurance still remains the leading type of insurance in the market accounting for 71.82 percent of the total in 2006. The insurance market was dominated by compulsory insurance in 2006 with more than double the contracts written compared to voluntary insurance, even though voluntary insurance increased slightly from 2005.
The market for Non-Life Insurance, i.e. vehicle, property, and health, is comprised of the following companies (with respective market shares as at end of 2006):

- SIGAL – 27.34%
- SIGMA – 18.40%
- INSIG – 18.64%
- ATLANTIK – 11.39%
- INTERSIG – 8.00%
- INTERALBANIAN – 7.85%
- ALBSIG – 5.95%
- EUROSIG – 3.23%

The market for Life Insurance is comprised of the following companies (with respective market shares as at end of 2006):

- INSIG – 42.39%
- SIGALLIFE – 35.14%
- SICRED – 22.47%

An analysis of the ratio of claims paid versus premiums written by insurance companies through the years is presented below in Table 11.

<table>
<thead>
<tr>
<th>Year</th>
<th>Claims</th>
<th>Premiums</th>
<th>Claims/Premiums (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>858.62</td>
<td>3,803.70</td>
<td>22.57</td>
</tr>
<tr>
<td>2003</td>
<td>1,306.85</td>
<td>3,755.10</td>
<td>34.80</td>
</tr>
<tr>
<td>2004</td>
<td>1,037.95</td>
<td>4,151.40</td>
<td>25.00</td>
</tr>
<tr>
<td>2005</td>
<td>1,198.44</td>
<td>4,026.00</td>
<td>29.77</td>
</tr>
<tr>
<td>2006</td>
<td>1,371.44</td>
<td>3,893.46</td>
<td>35.22</td>
</tr>
</tbody>
</table>

Source: Insurance Supervisory Authority

Trade volumes have rapidly expanded in Albania since the beginning of transition. Imports have grown by an average annual rate of 19.1 percent while exports have grown 21.9 percent during the 1998-2005 periods. During the first four years of transition, Albania registered the strongest export performance in EU markets among all former centralized communist economies with an average rate of growth in the period 1993-1996 of 65 percent.\(^1\)

Trade

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

\(^1\) World Bank Country Economic Memorandum, Dec. 2004
The following table presents the pattern of trade activity by region and country in 2006. (Table 13)

### Table 13

<table>
<thead>
<tr>
<th>Partner Countries</th>
<th>Exports</th>
<th>Imports</th>
<th>Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount (ml USD)</td>
<td>% of Total</td>
<td>Amount (ml USD)</td>
</tr>
<tr>
<td>EU – 25</td>
<td>696.43</td>
<td>88</td>
<td>1,913.90</td>
</tr>
<tr>
<td>Germany</td>
<td>25.09</td>
<td>3</td>
<td>142.01</td>
</tr>
<tr>
<td>Greece</td>
<td>75.22</td>
<td>10</td>
<td>512.05</td>
</tr>
<tr>
<td>Italy</td>
<td>574.57</td>
<td>73</td>
<td>883.46</td>
</tr>
<tr>
<td>Austria</td>
<td>2.24</td>
<td>0</td>
<td>61.24</td>
</tr>
<tr>
<td>France</td>
<td>5.54</td>
<td>1</td>
<td>27.09</td>
</tr>
<tr>
<td>Other EU</td>
<td>13.78</td>
<td>2</td>
<td>288.08</td>
</tr>
<tr>
<td>SEE Countries</td>
<td>64.18</td>
<td>8</td>
<td>205</td>
</tr>
<tr>
<td>UNMIK-Kosovo</td>
<td>13.15</td>
<td>4</td>
<td>11.2</td>
</tr>
<tr>
<td>FYROM</td>
<td>12.64</td>
<td>2</td>
<td>39.5</td>
</tr>
<tr>
<td>Serbia &amp; Montenegro</td>
<td>10.82</td>
<td>1</td>
<td>22.1</td>
</tr>
<tr>
<td>Croatia</td>
<td>2.26</td>
<td>0</td>
<td>26.3</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>3.28</td>
<td>0</td>
<td>80.9</td>
</tr>
</tbody>
</table>

Source: The Economist Intelligence Unit
As it was the destination of 88 percent of exports and 63 percent of imports, the European Union is the main trading partner of Albania. Italy and Greece, Albania’s most important trading partners generated 83 percent of the total exports and 46 percent of the imports.

<table>
<thead>
<tr>
<th></th>
<th>0.65</th>
<th>0</th>
<th>20.8</th>
<th>0.8</th>
<th>-20.15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bosnia and Herze-govina</td>
<td>4.36</td>
<td>1</td>
<td>3.3</td>
<td>0.1</td>
<td>1.06</td>
</tr>
<tr>
<td>USA</td>
<td>3.44</td>
<td>0</td>
<td>23.3</td>
<td>0.9</td>
<td>-19.86</td>
</tr>
<tr>
<td>China</td>
<td>9.16</td>
<td>1</td>
<td>149.2</td>
<td>5.7</td>
<td>-140.04</td>
</tr>
<tr>
<td>Turkey</td>
<td>9.99</td>
<td>1</td>
<td>193.8</td>
<td>7.4</td>
<td>-183.81</td>
</tr>
</tbody>
</table>

Source: Albanian Center for International Trade
Chapter 3
Opportunities for International Investors

Foreign Investments

According to the BoA, foreign direct investments for 2006 amounted to 258.6 million euro. This figure counts as 3.6% of the Albanian GDP. FDI increased during 2006 with more than 34 million euros.

Cumulative Foreign Direct Investment

Graph 2

<table>
<thead>
<tr>
<th>Year</th>
<th>FDI (ml. euro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>156.6</td>
</tr>
<tr>
<td>2001</td>
<td>230.7</td>
</tr>
<tr>
<td>2002</td>
<td>230.7</td>
</tr>
<tr>
<td>2003</td>
<td>156.9</td>
</tr>
<tr>
<td>2004</td>
<td>278.4</td>
</tr>
<tr>
<td>2005</td>
<td>224.1</td>
</tr>
<tr>
<td>2006</td>
<td>258.6</td>
</tr>
</tbody>
</table>
Opportunities and Incentives for Foreign Investors

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

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

The privatization strategy explicitly seeks qualified foreign firms as strategic investors for these key sectors. The process has already attracted foreign investors, mainly from Greece, Italy and Turkey.

Tourism also offers great investment prospects. Albania has spectacular mountain scenery, a beautiful and pristine coastline, and ancient history and culture. Tourism could be one of the main attractions for foreign investors in the future, but currently Albania lacks the proper infrastructure to promote investments in this sector.

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

### Table 14

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Industry</td>
<td>24</td>
<td>22</td>
<td>17</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Construction</td>
<td>9</td>
<td>10</td>
<td>3</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Transport</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Commerce</td>
<td>23</td>
<td>20</td>
<td>22</td>
<td>37</td>
<td>39</td>
</tr>
<tr>
<td>Services</td>
<td>11</td>
<td>10</td>
<td>14</td>
<td>23</td>
<td>21</td>
</tr>
</tbody>
</table>

*Source: INSTAT*
Other legal incentives include:

- Equal treatment of foreign and domestic investors;
- Full profit and dividend repatriation, after taxation;
- Repatriation of funds from liquidated companies;
- Bilateral agreements on the promotion and protection of reciprocal investments with Austria, Belgium, Bulgaria, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, FYROM, Germany, Greece, Hungary, Israel, Italy, Luxembourg, Malaysia, the Netherlands, Poland, Portugal, Romania, Slovenia, Sweden, Switzerland, Tunisia, Turkey, United Kingdom and United States.
- Double taxation treaties in force with the following countries: Belgium, Bulgaria, China, Croatia, Czech Republic, France, FYROM, Greece, Hungary, Italy, Malaysia, Malta, Moldova, Norway, Poland, Romania, Russian Federation, Sweden, Switzerland, Turkey, Egypt, the Netherlands, UNMIK Kosovo and Serbia and Montenegro. Double taxation treaties are under negotiation with Austria, Germany, Iran, Lebanon, South Korea, and Ukraine.

Privatization

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

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

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

**In Energy**

- The privatization of the Power Production and Power Distribution sectors at the Albanian Power Corporation (KESH sh.a), with rebuilding preparations underway.

**In Hydrocarbons**

- The privatization of ARMO ShA, the state oil refining and distribution company (in process since 2004);
- The restructuring and privatization of Albpetrol ShA, the state oil and gas exploration and production company;
In Water Supply and Transportation

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

Insurance

- INSIG ShA – the only state owned insurance company in the market. It operates in Albania, Kosovo and in Macedonia with life and non-life insurance products. 39 percent of its shares are owned by IFC and EBRD.

Recently, the Albanian government introduced the Private Public Partnership (PPP) concept, within a new Concession Law, that guarantees more transparency and competitiveness. The government has started using PPP to grant concession to a number of small hydro-powers.

The institutions engaged in the privatization process are:

- Council of Ministers
- Ministry of Economy, Trade and Energy
- The regulatory authorities for the respective sectors
- Other Ministries related to the respective privatization sectors - General Directorates
- Public Procurement Agency
- Concession's Treatment Unit

The approval of a sale or a concessionary contract is the last step in the privatization process and is granted by the Council of Ministers. Preliminary efforts include an evaluation process approved by the Council of Ministers.

Sovereign rating

The Government of Albania hired Moody’s Investor’s Service, to conduct the first-ever sovereign credit rating for Albania. On June 2007 Moody’s published the rating and relevant statement which rate Albania Ba1 for foreign-currency bonds and B1 for the government’s debt obligations. Albania also was rated B2 for foreign currency bank deposits, A3 for local currency and Baa1 for local currency bank deposits. In its official press release, Moody’s states that the overall ratings assigned to Albania carry a stable outlook.
Chapter 4
Business Law

Types of Business Entities

The foreign investor has numerous options available for organizing business operations in Albania. This may be achieved either by forming a locally incorporated company or establishing a branch or a representative office. The Albanian Parliament approved a new Law no. 9723, dated 03.05.2007 “On National Registration Center”, which aims to establish “the one stop shop” rule by creating the National Registration Center (“NRC”). Starting from 1st September 2007, the registration of new entities in Albania will take place with the NRC.

According to Law no. 7638, dated 19.11.1992, “On Commercial Companies” and Law no. 9723, dated 03.05.2007 “On National Registration Center”, the business entities to be registered with NRC are as follows:

- Sole Proprietorship - Personi Fizik ose Tregtar
- Unlimited Partnership – Shoqeri kolektive
- Limited Partnership – Shoqeri komandite
- Limited Liability Company – Shoqeri me pergjegjesi te kufizuar
- Joint Stock Company – Shoqeri anonime
- Joint venture – Shoqeri e thjeshte

Sole Proprietorship

The sole proprietor trades under his own name and such trade must be registered as a business name. Individuals interested in establishing this type of business should file an application and an identification document with the NRC of the district where the business will be conducted. The application form includes the identification data, address, type of business and specimen of the sole proprietor’s signature.

Unlimited Partnership

All partners are unlimitedly and jointly liable for the debts of the entity. Creditors can claim against a partner for the debts of the partnership, only if they have failed in their claims against the partnership as a whole. In unlimited partnerships, the partners are all considered administrators of the partnership, unless the contrary is stipulated in the bylaws. Each partner represents the partnership 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 Commercial Register.
Limited Partnership

A limited partnership, which is seldom used in practice, consists of one or more general partners (unlimited) with unlimited liability and one or more limited partners whose liability is limited to the amount of their agreed contributions of the initial capital. A limited partner may not take part in the management of the partnership even if he is given a proxy, otherwise he incurs unlimited liability.

The Articles of Incorporation of the limited partnership should contain:

- the total amount or value of the contributions of all partners;
- the amount or value of the contribution made by each general or unlimited partner;
- the percentage of the participation of all general partners and of each limited partner in the partnership’s profits and in the remaining value after its dissolution.

All decisions are made in conformity with the Articles of Incorporation.

Limited Liability Company (Shpk)

As a business owner, the foreign investor will be faced with many important decisions, including what business structure to use in the company formation. While many countries allow the typical structures of sole-proprietorship, partnership, or corporation for business ownership, the Albanian legislation gives the ability to form a limited liability company. This is the most common and appropriate legal form of conducting business in Albania. Its members enjoy limited liability and, unless the articles of the bylaws provide otherwise, members have the right to transfer their shares to other persons, upon decision of three-fourths of the voting rights. It can be established by one or more partners, legal or natural persons, who are responsible for losses only to the extent of their contribution to the capital of the company. The minimum required capital for this form of company is ALL 100,000. The capital is divided into shares with a value not less than ALL 1,000. The contributions to the capital can be in cash or in any asset, tangible or intangible. The law does not permit contributions in services. Administrators nominated through the General Assembly of the shareholders manage the limited liability company. Extraordinary decisions, increases or decreases in the share capital, mergers and acquisitions are to be approved by at least three quarters of the capital shareholders. The law requires annual financial statements to be prepared by the company.

The transformation of this form of business into unlimited and limited partnership can be made only with the unanimous approval of shareholders and after approval of financial statements for the last two years.

Joint Stock Company

Its capital is divided into shares, with shareholders held responsible for losses only to the extent of their contribution to the capital. The minimum initial capital required is ALL 2 million for companies with no public offering, and ALL 10 million for public offering.
companies. The joint stock company is managed by a board of directors composed of one or more members nominated by a supervisory council.

The supervisory council exercises the control over the board of director's performance. This council should have not less than 3 and not more than 21 members. One third of the members of the supervisory council should be company employees.

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

Branches and Representative Offices

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

Joint Ventures

Albanian legislation recognizes the joint ventures under the term of simple company, since it is based on an agreement only and no legal personality is granted to this partnership. Joint ventures may be concluded by two or more persons, whether individuals or legal entities, foreign or national, agreeing to engage in an economic activity in order to share profits deriving there from. There is no minimum capital requirement.

Partners are liable to perform the contributions provided in the contract. Unless otherwise agreed, every 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. Every partner is entitled to receive its share of the profits after the accounts have been approved, unless otherwise agreed.

Partners are jointly responsible for fulfilling the obligations imposed upon them by law and by the partnership agreement; unless they prove they were not at fault.

Trade Licenses

Activities requiring a business license are principally in the following sectors:

- Tourism;
- Construction;
- Fuel trading;
- Fishing;
- Telecommunication;
- Radio and Broadcasting;
Pharmaceutical and medical products trading, etc.

Required Documentation for Registration with National Registration Center

For registration of a new company with the National Registration Center (NRC) the following documents are required:

- Application form (standard form) filled-in and filed by the legal representatives of the company or by the authorized person upon power of attorney.
- Articles of Incorporation and Bylaws signed in the presence of a notary public;
- Resolution on appointment of the managing bodies of the company;
- Documents reflecting the capital disbursement (when the contributions are in cash, the bank statement or the notary public deposit deed is necessary and when the contributions are in kind, the report of an expert is requested), when applicable.

In general, the Articles of Incorporation should contain the following:

- Name of the company;
- Shareholders;
- Initial capital;
- Registered seat of the company;
- Administrators or directors of the company;
- Scope of the company;
- Duration of the activity.

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

For registration with NRC of a branch or representative office the following documents are required:

- Application form (standard form) filled-in and filed by the representative of the branch/representative office or of the parent company or by the authorized person upon power of attorney issued by either of the abovementioned persons;
- Articles of Incorporation and by-laws of parent company and all amendments;
- Recent extract of the Chamber of Commerce of the country where the parent company is located, issued of no more than 90 days from the date of application, which reflects:
  - registration of parent company in the Commercial Registrar of the country of origin;
  - the fact that the company is not subject to dissolution or bankruptcy; and
  - the composition of the managing bodies of the company;
- Resolution of parent company’s Board of Directors or of any other body of the company authorized under the by-laws, for the establishment of the branch or representative office in Albania and appointment of the Legal Representative (Manager) of the branch or representative office in Albania;
- Balance sheet of the last financial year of the parent company.
Accounting Regulations

The old Law no. 7661 dated 19.01.1993 “On Accounting” is abrogated from 01.01.2006, as result of entrance in force of a new Law no. 9228, dated 29.04.2004 “On Accounting and Financial Statements”.

The temporary Albanian Accounting Standards and Regulations are approved with Decision of the Council of Ministers nr.783, dated 22.11.2006 and are applicable from 01.01.2006 up to 31.12.2007.

All economic for-profit units in the Republic of Albania, including financial institutions and auditing companies, regardless of their legal form or specific legal requirements that can be applied to them, are subject to Law no. 9228, dated 29.04.2004 “On Accounting and Financial Statements”. Also, non-for profit organizations are subjects to this law, except for the cases when their financial statements and accounting are governed by specific laws and regulations.

All entities must adopt an accounting system in compliance with the accounting plans/standards issued and approved by the Council of Ministers.

Currently, there are three accounting plans/standards:

- Accounting Standards and Regulations, which cover most of the entities subject to the accounting law;
- Accounting Plan for Banks, which covers commercial banks;
- Public Accounting Plan, which covers central and local governmental institutions.

The Ministry of Finance can approve supplements to these plans depending on the specific characteristics of each entity.

The fiscal year consists of twelve consecutive months and should begin with the calendar year. Accounting records must be kept and maintained in Albanian Lek and in the Albanian language. Transactions in foreign currencies are allowed to be carried out through special accounts in the respective currencies. However, once a month and at the end of the fiscal year, foreign currency must be converted into Albanian Lek. All accounting books, source documents and financial reports should be retained for a period of 10 years. Normally, accounting books and records can also be maintained by third parties, with the exception of cases specified by law.

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

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

Depreciation of tangible and amortization of intangible assets is calculated according to the methods and rates determined in Law no. 8438, dated 28 December 1998 “On Income Tax”.

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

- Assumption of the going concern basis;
- Consistency between accounting periods;
- Use of accrual accounting and matching concepts;
- Comparative information should be disclosed in respect to the previous period for all numerical information in the financial statements;
- Each material item should be presented separately in the financial statements;
- Assets and liabilities, as well as items of income and expense, should not be offset;
- All transactions and accounts should be valued and presented fairly, prudently and transparently;
- Fixed assets are valued at acquisition or production cost net of depreciation or amortization;
- Raw material supplies, goods for resale, finished products and work in progress, are valued at purchasing or production cost. The cost of inventories could be established using methods described in the Accounting Standards and Regulations, such as FIFO, weighted average price, etc.

Law no. 9228, dated 29.04.2004 “On Accounting and Financial Statements”, for the first time, introduces accounting standards. This law sets up the concept of national and international accounting standards, which will serve as basis for selecting treatments or accounting methods, applicable when preparing or presenting financial statements.

Standards drafted by the International Accounting Standards Board, translated into Albanian under the responsibility of National Accounting Committee without changes from the original English version, announced by the Minister of Finance are mandatory for the following entities:

- Publicly held companies and their branches, subject to consolidation of accounts;
- Second tier banks, financial institutions similar to banks, insurance and re-insurance companies, securities funds and all companies licensed to perform investment activity in securities, even if they are not stock listed companies;
- Other big publicly held economic units, when their annual revenues and the number of employees, exceed the limits defined by the Council of Ministers.

Other entities will apply the National Accounting Standards. The National Accounting Standards are approved with Order no. 4292, dated 15.06.2006 of Minister of Finance. The preparation of the International Accounting Standards is still in process. The International Accounting Standards as well as the new National Accounting Standards will enter in force from 1 January 2008. During this period the temporary Accounting Standards and Regulations will continue to be applied.
Financial Statements and Certification Requirements

The new Law no. 9228 provides that financial statements should include the following documents:

- Balance sheet;
- Statement of revenues and expenses;
- Statement of equity changes;
- Cash flow statement;
- Financial statements annexes, which include a presentation of accounting methods, as well as the other explanatory material.

The standard reporting forms of the balance sheet and income statement, as provided by the Accounting Standards and Regulations, are presented in Appendix F. From the fiscal year 2003 together with the financial statements the companies should file with the tax authorities within 31 March of the subsequent year the annual tax return. The standard form of the annual tax return is shown in Appendix E.

Audit Requirements

The financial statements of all companies subject to the Accounting Law should be certified by independent chartered accountants (auditors) if they meet at least two of the three following conditions:

- Amount of total assets is more than ALL 6 million;
- Amount of yearly sales is more than ALL 12 million;
- The yearly average number of permanent employees is more than 10.
Chapter 5
Taxation of Businesses

General

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

The process of modernization of the tax legislation started in October 1997 with changes to the VAT, established in mid-1996, by replacing the turnover tax. The initial VAT rate of 12.5 percent was increased to 20 percent and most exemptions were abolished. In December 1998, a new law on personal income tax and profit tax was introduced and new tax rates for personal income tax were established. A modern system of collection of tax on profit and withholding tax on dividends, interest, and certain services was also introduced. In January 1999, a new Customs Code came into force, simpler to apply and leaving less space for individual interpretation. It has also been designed to comply with WTO requirements.

Residency

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

Corporate Income Tax

Corporations conducting business in Albania are subject to a corporate income tax at a flat rate of 20 percent, whilst, beginning from 1 January 2008 the corporate income tax will be of 10 percent.

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

In calculating the taxable base the following expenses are considered:

- Expenses incurred for generating the operational profit;
- Insurance premiums;
- Depreciation allowances;
- Interest (excluding certain situations as established by law);
- Bad debts when the following conditions are simultaneously met: a) The corresponding amount has been included earlier as income
b) The bad debt is cancelled in the accounting books of the taxpayer
c) All possible legal action to enforce payment has been undertaken.

A list of expenses that are not deductible for tax purposes is provided in the text of the tax law. The following are examples of items that are not deductible:

- the cost of acquisition and improvement of land (capitalized);
- the cost of benefits in kind (tax-free for the recipient);
- interest in excess of the annual average bank interest rate;
- interest paid for loans exceeding on average four times the amount of net assets value during the taxable period ².
- private pension premiums;
- damage and waste related to production, transportation and storage in excess of the rates determined by law;
- dividends;
- the profit tax itself;
- penalties and fines;
- expenses in respect of technical, consulting and management services provided by third parties, and not paid in the relevant tax period (such expense become deductible should the company pay the amount of withholding tax related to such services during that tax period);
- personal consumption expenses;
- representation and reception expenses when exceed 0.3 percent of the annual turnover;
- sponsorship expenses when exceed 3 percent of profit before tax and sponsorship expenses for press publishers when exceed 5 percent of the profit before tax;
- expenses for salaries and other compensations deriving from employment relationship, in case the payment is not performed through banking system;
- expenses resulting from transactions performed in cash for amounts exceeding ALL 300,000 for each purchase and exceeding the ceiling of 10 percent of the total of purchases made during the taxable period;
- expenses of construction companies for services related to construction, assembly and other similar works in case the services are rendered by non-VAT registered businesses.

Depreciation

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

There are two methods of depreciation - the straight-line method and the pooling system. The straight-line method will be applied for:

- Costs of purchase or construction, costs of improvement, restoration, and reconstruction of buildings, long term fixtures and fitting and machinery and equipment at a rate of 5 percent;
- Intangible assets at a rate of 15 percent.

²This rule is not applicable for banks, insurance companies and financial lease companies
The pooling system will be applied for:

- Computers, information systems, software products, back up systems (25 percent);
- All other depreciable assets of the business (20 percent).

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

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

**Inventory**

Inventory can be valued using the weighted average price method, FIFO, or any other method specified in the Accounting Standards and Regulations, provided that the entity consistently uses the same method as described.

**Reserves and provisions**

Reserves are not allowable deductions for tax purposes, although banks and insurance companies are allowed to deduct reserves and provisions required by their regulatory bodies.

**Losses**

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

**Inter-company dividends**

Domestic dividends received by a resident company are exempt from taxation, provided that the recipient corporate shareholder holds at least 25 percent of the share capital of the company distributing the dividend. If the recipient shareholder holds less than 25 percent of the share capital of the distributing company, the dividends are included in the taxable income of the recipient shareholder.

**Transfer price**

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

**Foreign tax credit**

Income taxes paid abroad by residents, whether individuals or entities are credited to tax amounts due in Albania in accordance with the provisions of the tax law.
**Withholding Taxes**

**Dividends and profit sharing**

- Dividends and profit sharing, irrespective of the status of the recipient, are subject to withholding tax at a 10 percent rate.

No withholding tax is imposed on dividends distributed to a resident company.

**Interest**

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

**Other payments**

There is a 10 percent withholding tax for payments such as artistic performances, royalties, leases, management and participation in managing bodies; technical, managing, financial and insurance services, construction, installation, or accessory supervision services paid to non tax registered individuals and entities.

**Double Taxation Avoidance Treaties**

Since 1992 Albania has entered into agreements “For the avoidance of double taxation with respect to taxes on income and on capital” with several countries.

The Agreements cover the taxation of income from business profits, international transport, dividends, interest, royalties, dependent and independent personal services, as well as income from real estate. These apply to persons (individuals and legal entities) who are residents in one or both of the contracting states.

The Agreements specify the rules that apply to taxation of the above mentioned types of income in the attempt to avoid double taxation. In addition, for some types of income like dividend and interest, the Agreements specify the maximum rate applicable in both contracting states.

**I. Tax Treaties in force:**

1. Treaty with Poland, in effect as from January 1, 1995.
5. Treaty with Turkey, in effect as from January 1, 1997.
6. Treaty with the Czech Republic, in effect as from January 1, 1997.
8. Treaty with Macedonia (FYROM), in effect as from January 1, 1999.
10. Treaty with Italy, in effect as from January 1, 2000.
18. Treaty with Belgium, in effect as from January 1, 2005.

II. Tax Treaties negotiated and initiated on a technical level, but not yet signed by the respective governments:

28. Treaty with Austria negotiated on April 8, 2005.

**Indirect taxes**

**Value Added Tax**

VAT taxable persons are all individuals and legal entities making taxable supplies and having an annual turnover in excess of ALL 8 million. In such case, the registration for VAT purposes is required. For individuals and legal entities that operate in the import/export sector it is mandatory to be registered, notwithstanding the annual turnover.

Taxable transactions include the supply of goods and services in Albania by a taxable person, as well as the importation of goods to Albania by any person. Also, the following transactions are taxable:
- transactions for no consideration or for a consideration less than the market value;
- barter transactions; and
- the private use of taxable goods by a taxable person (self-supply).

The taxable amount is the value of the goods and services supplied, excluding VAT. The taxable amount of imported goods includes transportation and insurance costs, import costs and any applicable taxes, duties or tariffs.
The following supplies are not subject to VAT:

- Lease and sale of land;
- Sale of buildings;
- Lease of buildings when the lease duration exceeds 2 months (except accommodation in hotels and vacancy residences);
- Financial services;
- Interests paid in the context of financial lease;
- Certain services rendered by not-for-profit organizations;
- Postal services;
- Medicines, medical equipment and certain supplies in connection with oil exploration;
- Supply of newspapers, magazines and books of any kind, newspaper printing services, as well as the supply of advertising in electronic and written media;
- Donation of goods made in case of natural or social calamities.

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

**Application of VAT deferred scheme**

The VAT deferred scheme for machineries and equipment imported by the taxpayer for purposes of its business activity, despite their type, is applicable up to six months from the moment of importation. No any guarantee is required for the application of the deferred scheme.

**Local Taxes**

**Tax on real estate**

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

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

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

Tax on buildings varies depending on the district where the building is located. In Tirana and Durres districts the tax per square meter is established, as follows:

- Building used for commercial purposes: ALL 200
- Building used for production: ALL 150
- Other building: ALL 50

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

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

Tax on transfer of right of ownership on real estate

The tax is applicable in case of right of ownership on buildings and other real estate properties. It is payable by the person that transfers the property right.

Tax amount for buildings held for business purposes and private residence amounts to ALL 2,000/sq.m and ALL 1,000/sq.m, respectively for Tirana District. For the third category, which includes buildings destined for other purposes, this tax amounts to ALL 1,500/sq.m.

Tax is lower in other districts of the country.

Tax on transfer of ownership right on other real estate property, other than buildings is 2 percent of the sale price.

Donors of real estate property to governmental entities, religious institutions or not for profit organizations are exempted from tax on transfer of real estate, but are held liable to pay the fee for which the tax agent is entitled to (3 percent of the taxable amount).

**Hotel Residency Tax**

The hotel residency tax is payable by all persons residing in a hotel, both Albanian and foreigners and amounts to 5 percent of the hotel bill. It is calculated and withheld by the hotel administration. The hotel administration must remit the total amount of hotel residency taxes to the respective municipality by the 5th of the month for the previous month.

**Taxes on Small Business**

Individuals who carry on small businesses or independent services and are not registered as taxable persons for VAT purposes are subject to the local tax on small business. Such tax shall be paid quarterly, within 20 April, 20 July, 20 October and 20 January of the subsequent fiscal year.

The table here below indicates the small business tax, which varies from the type of activity and location. For the activities conducted in communes, the tax levels are reduced at 50%.
Excise Tax

Excise tax is applied to a limited number of goods such as tobacco, alcoholic drinks, soft and fresh drinks, derivatives of petroleum and coffee. For goods produced in Albania, the excise tax is calculated on the sale price of goods. For imported goods this tax is calculated on the customs value including import duty. Excise tax is not applied when goods are exported. Liquid fuel used for household consumption is exempt from this tax, as well.

Tax is levied either as a percentage rate or per unit stamp duty, depending on the commodity. The following rates are applicable from August 2007, (Table 16):

### Customs Duties

<table>
<thead>
<tr>
<th>Product</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tobacco</td>
<td>ALL 2,240 per kg</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>ALL 40 per pack</td>
</tr>
<tr>
<td>Beer</td>
<td>ALL 30 up to ALL 40 per liter</td>
</tr>
<tr>
<td>Wine</td>
<td>ALL 20 up to ALL 35 per liter</td>
</tr>
<tr>
<td>Soft Drinks</td>
<td>ALL 2 per liter</td>
</tr>
<tr>
<td>Mineral Water</td>
<td>ALL 2 per liter</td>
</tr>
<tr>
<td>Coffee (roasted/non-roasted)</td>
<td>ALL 50 / 100 per kg</td>
</tr>
</tbody>
</table>
Customs duties are charged according to imported goods’ classification in a 6-digit Harmonized System. For many imported items minimum custom values are applied. Major exemptions are applicable for:

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

The tariff nomenclature contains only the following tariff rates: 0, 2, 5, 8, 10 and 15.

**Other national and local taxes**

There are a variety of national and local taxes and fees. These include port charges, consular fees, TV and telephone licenses, driving license fees, airport arrival and departure tax, business registration tax, cleaning tax and advertising tax.
Chapter 6
Taxation of Individuals

General

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

Residency

Individuals having their habitual residence in Albania or staying in Albania for a period of more than 183 days per year are considered Albanian tax residents.

Taxable income

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

- Wages, salaries and other compensation derived from labor relations. These income include basic pay, overtime pay, bonuses and any other payment for the performance of employment;
- Dividends and profit shares of partnerships;
- Capital gain derived from the sale of shares. The taxable base is the difference between the sale price and the purchase price or nominal value of the shares.
- Interest from bank deposits and other interest bearing securities except interest received on treasury bonds and other securities issued by the government before 21 January 1999;
- Income from copyrights and royalties;
- Income from loans and leasing, excluding cases when this income is generated through commercial activity (in the latter case, the income is declared in the tax return from the recipient itself);
- Income from transfer of ownership on real estate;
- Other income (i.e. any other item of income that is not explicitly exempt).

Tax – exempt income

- Allowances received from social and health insurance schemes, including pensions;
- Scholarships;
Compensation received with regard to expropriation.
Income of individuals who enjoy diplomatic status;
Benefits in kind received from employees.

Personal income tax rates

Wages, salaries and other compensation for employees will be taxed as follow in Table 17:

Table 17

<table>
<thead>
<tr>
<th>Threshold (monthly compensation in ALL)</th>
<th>Income tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 To 10,000</td>
<td>0%</td>
</tr>
<tr>
<td>10,001 To 30,000</td>
<td>10% of the amount over 10,000</td>
</tr>
<tr>
<td>30,001 and over</td>
<td>10% of the amount over 0</td>
</tr>
</tbody>
</table>

Income from transfer of right to ownership of real estate, other than the agricultural land, is taxed as follows:

<table>
<thead>
<tr>
<th>In million of ALL</th>
<th>In percent of sale price</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2</td>
<td>0.5%</td>
</tr>
<tr>
<td>2-4</td>
<td>1%</td>
</tr>
<tr>
<td>4-6</td>
<td>2%</td>
</tr>
<tr>
<td>&gt;6</td>
<td>3%</td>
</tr>
</tbody>
</table>

Income from transfer of right of ownership of agricultural land is taxed at a flat rate of 0.5%.

Starting from 1st January 2008 the rate of tax on personal income of individuals deriving from transfer of ownership title over real estate will be 10% of the capital profit realized.

On other incomes, which are subject to tax, a flat rate of 10 percent is applied.

Social Security Contributions

The Albanian social security system is administered by the Public Institute of Social Security, which is under the jurisdiction of the Council of Ministers. The employer contributions include contributions to the work accidents indemnities and unemployment fund. Employees are also liable to a percentage for both health and social security contributions. Only a portion of the gross monthly salary, between a floor of ALL 13,140 (or other amount depending on the qualification of the employees in the private sector and category of economic activity of the employer) and a ceiling of ALL 65,700 per month is subject to contribution at the following rates:
Contribution rate:

<table>
<thead>
<tr>
<th></th>
<th>Social Security</th>
<th>Health Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid by employer</td>
<td>20%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Paid by employee</td>
<td>9.5%</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

The Council of Ministers has decided the minimum reference monthly salary, for purposes of calculation of the social and health insurance contributions and personal income tax (Decision no. 285, dated 04 May 2007). The minimum reference salaries, depends on the location of the employer (e.g. higher for Tirana and other big cities), its tax status (e.g. higher for entities registered with the Large Taxpayers Office in Tirana than for those entities registered with the local tax office of Tirana or other cities), nature of its activity (i.e. nomenclature of the economic activity e.g. Hotels and Restaurants, Transportation and Telecommunication, Financial Sector etc.) and qualification of the employees.
Chapter 7
Labor Law

General Issues

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

Working hours

As per the Albanian Labor Code the normal daily working hours may not exceed 8 working hours meanwhile the normal weekly working hours should not exceed 40 hours. In some cases, when required and approved by the employer the employee may perform overtime work, but in no case this may exceed 50 working hours per week, hence the maximum of overtime work may not exceed the 10 hours per week. The Albanian Labor Code provides any prohibitions with regard to the work performed during the National Holidays, the work performed by night by persons that are under the age of 18 and for women during the pregnancy period.

Compensation for overtime work

The overtime work is compensated in salary or in time-off. The compensation in salary is 25 % more than the salary applicable for the working hours during normal working days, meanwhile the time – off is 25 % longer than the overtime performed and should be given within 2 months from the effectuation of the overtime. For overtime work performed during public holidays or on weekends the compensation shall be 50 % more than the salary applicable for the working hours performed during normal working days, and if in time-off this latest should be 50 % longer than the overtime performed.

Retire Age

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

Obligations of the employer

The employer has the obligation toward employees to ensure observation of their fundamental rights. These obligations consist in protection of the employee’s personality; ensure that the working premises be clean and safe for the employee’s health; do not exercise control over the personal effects of the employee; keep the employee’s register; make available to employees a Labor Code; be provided with the administrative authorization; keep all documentation regarding accidents in the course of work; ensure safety of the work premises in order to protect the clearance of air, to keep loud and vibrations at the normal levels for the employee’s health; maintain the work equipment and the machinery; ensure to the employee all the necessary equipments for performing its work; make available to the employee food and water during the working hours; keep at the work premises first aid equipment.

Obligations of the employee

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

At the termination of the employment relationship the parties may enter into a non-compete agreement which may not exceed the term of one year. In such case the employer should pay to the employee compensation of at least 75 % of the salary he would earn in case the employment relationship should be not terminated.

Anti – discrimination

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

Employment contracts

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

Not fulfillment of such obligation does not affect validity of the contract, but only causes liability of the employer with a penalty issued by the Labor Inspectorate.

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

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

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

**Termination of employment contracts**

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

Should the parties have entered into one or more contracts with limited duration for an employment which lasts at least three years, the employer’s refusal to renew the contract is considered as termination of the contract with unlimited duration.

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

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

In this context, before termination of any employment contract the employer should deliver a prior notification to the employee indicating its intention to terminate the employment contract and the reasons for such termination. Within 72 hours from the delivery of the notice a meeting must take place in order to discuss about the intention of terminating the employment. The decision for termination of the employment is notified to the employee not before than 48 hours after the meeting and not later than one week from such meeting.

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

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

Pursuant to the Albanian Labor Code, each party should notify the termination of the
employment contract with unlimited duration to the other party at least within the following terms:

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

Notwithstanding to the above, the parties may agree in written to alter the above notice periods provided that for employment up to six months the notification period may not be less than two weeks whilst for employment exceeding six months such period may not be less than one month.

An employment contract might be terminated with immediate effect for reasonable causes. Are considered as reasonable causes as per the Albanian Labor Code those serious circumstances that do not allow the continuation of the employment. However, the termination procedure determined in the Albanian Labor Code must be followed by both parties.

In case the termination of the employment contract is due to unjustified causes such the race, color face, sex age pregnancy, religious belief, entity etc., or for claims related to the employment relationship, or for the employee’s membership at a employees reunion the employer may be liable to pay to the employee up to one year salary.

Further, pursuant to the Albanian Labor Code the employee is entitled to a seniority bonus in case “…. the employment contract is terminated by the employer and the employee has served at least three years.” The employee may not receive the seniority bonus in case the employment contract is terminated with immediate effect for reasonable causes. The seniority bonus is not less than the employee’s salary for 15 days for each employment year.

**Collective dismissal**

As per the Albanian Labor Code the collective dismissal is the termination of employment, upon the initiative of the employer for reasons that are not related to the employee, where the number of the dismissed, within a period of 90 days, is at least 10 in enterprises with more than 100 employees, 15 in enterprises with more than 100 to 200 employees, 20 in enterprises with more than 200 to 300 employees, and 30 in enterprises with more than 300 employees.

The employer intending to undertake a collective dismissal must notify in written its employees. The notification is published in the working premises being so visible by the employees and it must particularly indicate the following:

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

A copy of such notification is also delivered to the Ministry of Labor and Social Affairs (the
Unless the employer indicates a longer period, within 20 days from the date of the above notification, the employer should meet and discuss with the employees subject to the collective dismissal. The scope of this meeting is to take any eventual measures to avoid or reduce the number of the dismissed employees and to manage its consequences.

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

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

Furthermore, the employees dismissed upon procedure of the collective dismissal, obtain the seniority bonus in case they have served the employer for a period of at least three years.

### Holidays/ Paid Leave

**Annual leave**

The employee is entitled to annual leave for a period of at least 4 calendar weeks. Such leave must be taken within the year or the first three months of the following year.

**Paid leave**

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

**Illness**

In case the employee cannot work because of illness, the employer pays him not less than 80% of employee's salary for the initial 14 days period not covered by Social Insurance.

The illness should be supported by a medical certificate, and if required by the employer the employee may undergo to medical examination by a doctor appointed by the employer. Notwithstanding the above, the employee loses his rights against the employer when he refuses without cause to undergo to the medical examination requested by the employer.
National holidays

In Albania are observed as Public Holidays the followings:

I. New Year (1st and 2nd of January)
II. Labor Day (1st of May)
III. Easter (two days)
IV. National Day (28th and 29th of November)
V. Christmas (25th of December)
VI. Bajram (two days)
VII. Nevruz Day (22nd of March)
VIII. Summer Day (14 March)
IX. Mother Theresa Day (19 October)

Should the Public Holiday fall on weekend, the benefit of the day off shall be postponed in the following day.
Chapter 8
Acquisition and Registration of Real Estate

Registration of real estate in Albania

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

The register of real estate reports all the data of the real estate identity of the owner, limits of property, date of registration and the relative deed of ownership acquisition, relevant plans that show the location of property. In addition, any lease, mortgage, assignment of easement, right to use and any other right connected to or deriving from the real estate that is transferred to any third party, should be recorded in the register. Any contract or other instrument effecting the aforementioned transactions should be filed with the competent Office of Real Estate Registration within 30 days from its execution. Real estate to be registered for the first time shall be subject to the temporary registration.

The competent Office of Real Estate Registration shall publish the act of temporary registration for forty-five (45) consecutive days. During this period any interested person can file with the Office any claim or request for correction of eventual mistakes. No claim submitted after expiration of the said term shall be considered. In case no claim is submitted within the aforementioned period or any claim submitted has been settled in agreement between the parties, the said property will be classified as permanently registered.

In case of claims where parties failed to agree on any solution, the competent court shall have jurisdiction to rule on the dispute. The registrar shall record in the register the action in course and indicate the court that is hearing the case.

Restrictions to foreigners for acquisition of land

Albanian Civil Code provides that no real estate will be subject to any transaction if it is not registered in the register of real estate. The acquisition of real estate in plots for foreigners is restricted by the law no. 7980, dated 27.07.1995 “On acquisition of plots”. Based on this law foreign entrepreneurs or foreign legal entities can acquire plot in Albania only if the value it has invested for construction on such plot exceeds three times the value of that plot.
Chapter 9
Government Controls

Competition Laws

Albanian competition protection system is actually governed by the new Law no. 9121 “On Protection of Competition” (Competition Law), entered into force on 1st December 2003, which replaced Law no. 8044 “On Competition,” dated 7 December 1995. The main reasons such Law has been introduced are the lack of the previous Law’s applicability and the willing to harmonize the Albanian competition system with “acquis communautaire”. The ex ante and ex post control of the competition in the relevant market is carried out from the Albanian Competition Authority (“ACA”).

The pillars of the Albanian Competition Law, which follows mainly the EC competition legislation, are the prohibition of restrictive agreements, abuse of dominant position and concentration leading to the creation or reinforcement of a dominant position when all are carried out from “undertakings.” For purposes of this Law, all persons being individuals or public or private legal entities, engaged in commercial activity either Albanian or foreign provided that their activity has an impact on the national market are considered “undertakings.”

Agreements restricting Competition

Competition Law prohibits agreements that prevent, restrict or distort competition, entered into either formally or informally, tacitly or explicitly or being horizontal (i.e. agreements between entities operating on the same level of production) or vertical (i.e. agreements between entities operating on different levels of production), unless they meet the conditions to benefit from the exemption granted by ACA. Consequently, the undertakings have an obligation to notify restrictive agreements to ACA, which decides whether the said agreements are considered prohibited under the Competition Law. Albanian Competition Law introduced the exemption of such agreements on the basis of their economic efficiency or their nature (agreements on intellectual and industrial property rights) missing however to provide for de minimis rule.

Control of Concentrations

The Competition Law provisions establish that the concentrations of undertakings consisting of the direct or indirect acquisition of a controlling interest of the whole or parts of one or more other undertakings shall be notified for authorization to the Albanian Competition Authority if in the last financial year preceding the concentration, the notification thresholds are met. The notification should take place within one week from the conclusion/signature of the agreement and/or announcement of a public bid. The notification thresholds are a) the combined worldwide turnover of all the participating
undertakings exceeds ALL 70 billion (approximately, EUR 538,461,538) or the domestic combined turnover of all participating undertakings exceeds ALL 800 million (approximately, EUR 6,153,846); and (b) the domestic turnover of at least one participating undertaking exceeds ALL 500 million (approximately, EUR 3,846,153).

The Competition Law respectively articulate the procedure for appraisal of concentrations from ACA into “preliminary” and “in-depth proceedings”. During the preliminary proceeding, the ACA shall examine the notification in order to find whether the concentration “reveals signs that it creates or strengthens a dominant position”, whilst in the in-depth proceedings, ACA must assess whether the concentration creates or strengthens a dominant position of the undertakings in the market.

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

Abuse of dominant position

A dominant position is not prohibited per se, instead the abuse of such dominant position falls under the prohibition established from the Competition Law. The Law recognizes the existence of a single (one undertaking) and collective (more undertakings) dominant position. The dominant position is defined as the position of one or more undertakings that enable them to act, in regard to the offer and demand, independently from other participants in the market, such as: competitors, clients or consumers. The Competition Law provides a non exhaustive list of the criteria to be assessed for establishing the existence of a dominant position and of the prohibited abusive behaviors. Indicatively, fixing of unfair sale or purchase prices and adoption of discriminatory practices are listed as abusive behavior. In order to asses the abusive behavior, ACA considers and applies the benchmarking method.
Appendix A

Useful Addresses in Tirana

Country Code: 355
Tirana City Code: 4

General Information
Tel: 124

Ambulance
Tel: + 355 4 222235 / 253364 / 253365

Fire Brigade
Tel: + 355 4 222222

Police Stations
Tel: + 355 4 224445 / 223322 / 224529 / 366826

Roadside Assistance
Tel: + 355 4 234872 / 363423

Radio Taxis
Tel: + 355 4 355555 / 259999 / 244444 / 377777

Rinas Airport
Tel: + 355 4 375342 / 223938

Main Hotels

Sheraton Tirana Hotel & Towers
“Italia” Square
Tirana, Albania
Tel: + 355 4 274707 / 274711
E-mail: reservations.tirana@starwoodhotels.com

Tirana International Hotel
Scanderbeg Square
Tirana, Albania
Tel: + 355 4 234185
E-mail: hotel@tirana-international.com

Rogner Hotel Europapark
Blvd. “Deshmoret e Kombit”
Tirana, Albania
Tel: + 355 4 235035
E-mail: info@tirana.rogner.com

Grand Hotel Tirana
“Ismail Qemali” Str. Nr. 11
Tirana, Albania
Tel: +355 4 253219 / 253220
E-mail: grandhotel@icc-al.org

Diplomat Hotel
“Muhamet Gjollesha” Str.
Tirana, Albania
Tel: +355 4 233151 / 258468
E-mail: diplomat@icc.al.eu.org
Mondial Hotel
“Muhamet Gjollesha” Str.
Tirana, Albania
Tel: +355 4 232372
E-mail: hotelmondial@hotelmondial.com.al

President Hotel
Deshmoret e 4 Shkurtit Str.
Tirana, Albania
Tel: +355 4 259574 / 259575
E-mail: carlsberg@abissnet.com.al

Chateau Linza
Qesarak, Dajti Mountain
Tirana, Albania
Tel: +355 4 362906 / 362913
E-mail: chlinza@interalb.net

Restaurants

Piazza
Ded Gjo Luli Str.
Tirana, Albania
Tel: +355 4 230706

Metropolitan
“Italia” Square, Sheraton
Tirana, Albania
Tel: +355 4 274707

Gloria
Qemal Stafa Str. Villa Nr. 40
Tirana, Albania
Tel: +355 4 247731 / 222698

Berlin
Vaso Pasha Str. Nr. 7
Tirana, Albania
Tel: +355 4 273863

Vinum
Qemal Stafa Str. Nr. 60
Tirana, Albania
Tel: +355 4 230822

Sky Club
Deshmoret e 4 Shkurtit Str. Sky Tower
Tirana, Albania
Tel: +355 4 221666 ext. 143

Casa di Pasta
Deshmoret e 4 Shkurtit Str. Rinia Park
Tirana, Albania
Tel: +355 4 251175 / 251179

Tavernetta
Deshmoret e 4 Shkurtit Str.
Tirana, Albania
Tel: +355 69 21 30958
Appendix B

List of Banks and other funding agencies

Bank of Albania
Scanderbeg Square, Nr. 1
Tirana, Albania
Tel: +355 4 222230 / 222752 / 222152
E-mail: public@bankofalbania.org

Albanian Financial Supervisory Authority
Rruga: Perlat Rexhepi, Kati II,
Tirana, Albania
Tel: +355 4 247148/ 250686
E-mail: amf@amf.gov.al

Tirana Stock Exchange
Dora d‘Istria Str. Nr.2
P.O. Box. 274/1
Tirana, Albania
Tel: +355 4 271849
Email: tseinfo@abcom-al.com

Alpha Bank, Tirana Branch
Blvd Zogu i Pare, Nr. 47
Tirana, Albania
Tel: +355 4 240478 / 240479
E-mail: alphabank@interalb.net

American Bank of Albania
Ismail Qemali Str. Nr. 27
P.O. Box 8319
Tirana, Albania
Tel: +355 4 276000 / 248762
E-mail: americanbank@ambankalb.com

Banka Popullore
Donika Kastrioti, EGT Tower II/1
Tirana, Albania
Tel: +355 4 272790
E-mail: info@bpopullore.com
Banka Kombetare Tregtare
Blvd. Zhan D'Ark
Tirana, Albania
Tel: +355 4 266276 / 266277 / 266278

Credins Bank
Ismail Qemali Str. Nr. 21
Tirana, Albania
Tel: +355 4 234096 / 233912
E-mail: info@credins.com

Credit Bank of Albania
Perlat Rexhepi Str.
Al-Kharafi Administrative Building
Tirana, Albania
Tel: +355 272168 / 272166
E-mail: creditcba@icc-al.org

Emporiki Bank of Greece S.A
Kavaja Str. Nr. 59
Tirana, Albania
Tel: +355 4 258755
E-mail: headoffice@emporiki.com.al

First Investment Bank
Blvd. Zogu i Pare, Nr. 64
Tirana, Albania
Tel: +355 4 256423 / 256424

International Commercial Bank
Murat Toptani Str.
Tirana, Albania
Tel: +355 4237567 / 237568
E-mail: info@icbank-albania.com

Italian Albanian Bank
Rruga e Barrikadave
Tirana, Albania
Tel: +355 4 233965
E-mail: biatia@adanet.com.al

Italian Bank for Development
Blvd. Deshmoret e Kombit, Twin Towers
Tirana, Albania
Tel: +355 4 280351 / 280352

National Bank of Greece
Durresi Str.
Tirana, Albania
Tel: +355 4 233623 / 233624
Procredit Bank
Sami Frasheri Str.
Tirana, Albania
Tel: +355 4 233958 / 233496

Raiffeisen Bank
Kavaja Str. Pall. 12 Kate
Tirana, Albania
Tel: +355 4 222669
E-mail: info@raiffeisen.al

Tirana Bank
Blvd. Zogu i Pare, Nr. 55/1
Tirana, Albania
Tel: +355 4 233441 / 233443

Union Bank
Blvd. Zogu i Pare (near the Train Station)
Tirana, Albania
Tel: +355 4 250653

United Bank of Albania
Blvd. Deshmoret e Kombit, Nr. 8
Tirana, Albania
Tel: +355 4 227408 / 223873
E-mail: UBA@albaniaonline.net

Funding Agencies

Albanian-American Enterprise Fund
Deshmoret e 4 Shkurtit, Green Park Complex
Tower 2, 12th Floor
Tirana, Albania
Tel: (355) 4 222408
E-mail: j.griffin@aaef.com.al

Albanian Guarantee Fund
Dora D’Istria, In Front of Law Faculty. Apt. 3/3
Tirana, Albania
Tel: +355 4 247047 / 247048
E-mail: aga@icc.al.eu.org
Appendix C

International Organizations

World Bank
Deshmoret e 4 Shkurtit, Nr. 34
Tirana, Albania
Tel: +355 4 240578
www.worldbank.org.al

International Monetary Fund (IMF)
Blvd: Deshmoret e Kombit
Twin Towers, Tower 1
5-th Floor
Tel: +355 4 280400
E-mail: imf@albmail.com
www.imf.org/tirana

European Bank for Reconstruction and Development (EBRD)
Abdi Toptani Str. Torre Drin
4th Floor
Tirana, Albania
Tel: +355 4 232898 / 253099

United Nations Development Program (UNDP)
Deshmoret e 4 Shkurtit, Nr. 35
Tirana, Albania
Tel: +355 4 233122 / 233148

United States Agency for International Development (USAID)
Elbasani Str. Nr. 103
Tirana, Albania
Tel: +355 4 247285

International Finance Corporation (IFC)
Deshmoret e 4 Shkurtit, Nr. 34
Tirana, Albania
Tel: +355 4 240578
Governmental Institutions

Council of Ministers
Blvd Deshmoret e Kombit
Tirana, Albania
Tel: +355 4 274448 / 277444
www.keshilliministrave.al

Ministry of European Integration
Blvd Deshmoret e Kombit
Tirana, Albania
Tel: +355 4 228645

Ministry of Finance
Blvd Deshmoret e Kombit
Tirana, Albania
Tel: +355 4 267654 / 226002

Ministry of Foreign Affairs
Blvd Zhan D’ Ark, Nr 6
Tirana, Albania
Tel: +355 4 364090 / 362084

Ministry of Economy, Trade and Energy
Blvd Deshmoret e Kombit, Nr 1001,
Tirana, Albania
Tel: +355 4 223119 / 223455

Ministry of Interior
Blvd Deshmoret e Kombit
Tirana, Albania
Tel: +355 4 258625 / 228167 / 233544

Ministry of Defense
Blvd Deshmoret e Kombit
Tirana, Albania
Tel: +355 4 237816 / 226865

Ministry of Education and Science
Durresi Str. Nr 23
Tirana, Albania
Tel: +355 4 234845 / 226405

Ministry of Health
Blvd Bajram Curri
Tirana, Albania
Tel: +355 4 376193 / 364908
Ministry of Justice
Blvd Zogu i Pare
Tirana, Albania
Tel: +355 4 232704 / 259388

Ministry of Public Services, Transport and Telecommunication
Blvd Deshmoret e Kombit
Tirana, Albania
Tel: +355 4 234674 / 232389 / 222653

Ministry of Food, Agriculture and Consumer Protection
Scanderbeg Square, Nr 2
Tirana, Albania
Tel: +355 4 232796 / 227924

Ministry of Tourism, Culture, Youth and Sports
Rruga: Abdi Toptani
Tirana, Albania
Tel: +355 4 222508

Ministry of Labor, Social Affairs and Equal Chances
Kavaja Str.
Tirana, Albania
Tel: +355 4 233429 / 228340

Ministry of Environment, Forestry and Water Administration
Durresi Str.
Tirana, Albania
Tel: +355 4 270623 / 270630 / 270621
Appendix D

Banking System – Products and Services

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

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

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

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

The automated services include fax special services and ATMs with cash withdrawal and deposit possibilities 24 hours a day, every day of the year. Typically, no fees are charged for the issuance of cards and for the transactions performed within the in-country network.

Other services are also available like special tax and utilities collection accounts, VAT collection, mortgage loans, mortgage loans linked to time deposits, etc.
Corporate Income Tax Declaration and Payment Form

<table>
<thead>
<tr>
<th>1) Serial Number:</th>
<th>2) Fiscal period</th>
</tr>
</thead>
</table>

| VAT Number | (3) |
| Business name of taxable entity | (4) |
| Name, surname of physical person | (5) |
| Address: | (6) |
| City/Commune/District: | (7) |
| Telephone number: | |

### Profit/Loss Calculation

<table>
<thead>
<tr>
<th>Revenues and Expenses</th>
<th>Accounting</th>
<th>Fiscal</th>
</tr>
</thead>
<tbody>
<tr>
<td>(8/9) Revenues</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>(10/11) Expenses</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>(12) Non-deductible expenses</td>
<td></td>
<td>12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Profit/loss</th>
<th>Accounting</th>
<th>Fiscal</th>
</tr>
</thead>
<tbody>
<tr>
<td>(13/14) Loss</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>(15/16) Profit</td>
<td>15</td>
<td>16</td>
</tr>
<tr>
<td>(17) Loss carried forward</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>(18) Net taxable profit (16-17)</td>
<td></td>
<td>18</td>
</tr>
</tbody>
</table>

### Income Tax Calculation

| (19) Income Tax at 20% | 19 |
| (20) Income Tax at other percentages | 20 |
| (21) Income Tax (19+20) | 21 |
| (22) Deferred Income Tax | 22 |
| (23) Prepayments | 23 |
| (24) Overpaid Income Tax | 24 |
| (25) Payable Income Tax | 25 |
| (26) Penalties/Interests for late payments | 26 |
| (27) TOTAL PAYABLE AMOUNT | 27 |
Appendix F

Local Financial Statements Format

BALANCE SHEET

ASSETS

A  SUBSCRIBED AND PAID IN CAPITAL

B  FIXED ASSETS

   I) INTANGIBLE
      a) Start-up expenses
      b) Research & development costs
      c) Other
      d) Partial payments
      e) Depreciation (-)
      h) Provisions for devaluation (-)

   II) TANGIBLE
      a) Land, buildings, plant and general installations
      b) Machinery, equipment, technical installations, tools and instruments
         c) Other
      d) In progress and partial payments
      e) Depreciation (-)
      h) Provisions for devaluation (-)

   III) FINANCIAL
      a) Securities
      b) Accounts receivable related to shareholdings
      c) Loans
      d) Provisions for devaluation (-)

C  CURRENT ASSETS

   I) INVENTORY AND WORK IN PROGRESS
      a) Raw materials and others
      b) Production, works, services in progress
      c) Products and goods
      d) Others
      e) Provisions for devaluation (-)
II) ACCOUNTS RECEIVABLE FROM DEBTORS
Over one year
a) Trade receivables (clients for sales and services)
b) Receivables from shareholders (unpaid capital)
c) Receivables from personnel and other persons
d) Other receivables
e) Provisions for devaluation (-)

III) SHORT-TERM SECURITIES
a) Shares, bonds, treasury bills, other securities
b) Provisions for devaluation (-)

IV) CASH AT BANK AND ON HAND
a) Deposits at bank and other accounts
b) Cash on hand
c) Others

V) PREPAID EXPENSES
Over one year

D OTHER ACCOUNTS
a) Expenses to be amortized in several years
b) Foreign exchange differences

TOTAL ASSETS
- OFF BALANCE SHEET ACCOUNTS
- FIXED ASSETS UNDER LEASE
- OTHER THIRD PARTIES’ PROPERTIES
- OTHER OFF BALANCE SHEET ACCOUNTS

LIABILITIES

A SHAREHOLDERS EQUITY

I) CAPITAL STOCK, RESERVES PROFIT/LOSS
a) Subscribed capital
b) Share premiums
c) Differences from revaluation
d) Reserves
   - Legal reserve
   - Statutory reserve
   - Other reserves
e) Retained earnings (Loss -)
f) Profit (loss) for the current financial period (Loss -)

II) OTHER SHAREHOLDERS’ FUNDS
a) Development fund (reserve)
b) Fund for employees supplementary remuneration
c) Fund for severance indemnity
d) Other funds

III) SUBSIDIES FOR INVESTMENTS

IV) PROVISIONS FOR CONTINGENCIES AND LIABILITIES
a) Provisions for contingencies
b) Provisions for expenses

B LIABILITIES

I) DEBT PAYABLE DUE IN OVER ONE YEAR
a) Loans from banks and other financial institutions
b) Other loans
c) Prepayments from customers
d) Due to suppliers
e) Due to state
f) Due to shareholders
g) Other payables

II) DEBT PAYABLE DUE WITHIN ONE YEAR
a) Loans from banks and other financial institutions
b) Other loans
c) Prepayments from customers
d) Due to suppliers
e) Personnel
f) Payable social contributions
g) Due to tax authorities
h) Due to shareholders
i) Other payables

III) Deferred income

C OTHER ACCOUNTS

a) Foreign exchange differences

TOTAL LIABILITIES OFF BALANCE SHEET ACCOUNTS

PROFIT AND LOSS ACCOUNT

EXPENSES

I) REDUCTION IN OWN PRODUCTION STOCK

II) COST OF PRODUCTION AND OTHER EXPENSES
1 - Raw materials and other consumables
   - Purchases during the period
   - Change in stock (+ -)
2 - Goods
   - Purchases during the period
   - Change in stock (+ -)
3 - Supplies and services
4 - Personnel expenses
   a) Wages and salaries
   b) Other benefits
   c) Social and health contributions
5 - Taxes and similar
6 - Other expenses
   a) Net book value of fixed assets sold
   b) Losses from uncollected receivables
   c) Other
7 - Depreciation and provisions
   a) Depreciation of fixed assets
   b) Provisions for devaluation of fixed assets
   c) Provisions for devaluation of current assets
   d) Provisions for contingencies and expenses
   e) Allowance for expenses to be amortized in several years

TOTAL (I + II)

III) FINANCIAL EXPENSES
8 - Interest paid and payable
9 – Losses from sale of securities
10 - Foreign exchange differences
11 - Provisions for financial assets
12 - Other financial expenses

TOTAL (I + II + III)
TOTAL RESULT FROM ORDINARY ACTIVITIES

IV) EXTRAORDINARY EXPENSES

EXTRAORDINARY RESULT

V) PROFIT BEFORE TAX

VI) PROFIT TAX AND SIMILAR
   a) Profit tax
   b) Other deductions

VII) NET PROFIT (or of the BALANCE SHEET) V - IV
## REVENUES

### I) TURNOVER
1. Sales of products
2. Sales of services
3. Sales of goods
4. Other sales and services

### TOTAL OF NET SALES

### EXPORT:

#### II) OTHER REVENUES (except for financial income)
5. Increase in products inventory
6. Production of fixed assets
7. Subsidies
8. Other income
   a. Sales price of fixed assets
   b. Collection of receivables
   c. Others
9. Reverse of depreciation and provisions
   a. Reverse of depreciation for fixed assets
   b. Reverse of provisions for fixed assets
   c. Reverse of provisions for current assets
   d. Reverse of provisions for contingencies and liabilities

### TOTAL (I + II)

#### III) FINANCIAL INCOME
10. Income from interests and others
11. Income from sale of securities
12. Positive foreign exchange differences
13. Reverse of provisions for financial assets
14. Other financial income

### TOTAL (I + II + III)

Negative result from ordinary activities

### IV) EXTRAORDINARY INCOME

### EXTRAORDINARY RESULT

#### V) BALANCE SHEET RESULT (Loss)
Firm overview and services in Albania and Kosovo

Boga & Associates, established in 1994, has emerged as one of the premiere law firms in Albania, earning a reputation for providing the highest quality legal services to its clients. The practice maintains its commitment to quality through the skills and determination of a team of attorneys and other professionals with a wide range of skills and experience. The extensive foreign language capabilities of the team help to ensure that its international clientele have easy access to the expanding Albanian business environment.

Boga & Associates represents a broad spectrum of high-profile clients, including financial institutions, airlines, industrial complexes, mining and petroleum concerns, non-profit organizations, embassies, public utilities, commercial companies, international and governmental agencies. The firm has also an outstanding litigation practice, representing clients on all levels of Albanian courts. This same know-how and experience has been drawn upon by the Legislature in the drafting of new laws and regulations.

The firm offers to its clients all the legal, tax and accounting services required to conduct business in Albania effectively. Boga & Associates reflects the best international standards of dealing with taxes and accounting also based on the ten years experience with KPMG, as being a member firm till 1st of May 2007. Over the years the firm has advised in the areas of privatization of national resources and enterprises, concessions, real estate transactions, setting up businesses, credit facilities and custom and tax issues, all with a keen sensitivity to the rapid changes in the Albanian business environment.

In 2007, Chambers and Partners an international legal market ranking company awarded Boga & Associates as the best law firm in Albania on Business Law and one of the best on Dispute Resolution.

Besides its commitment to clients’ needs, Boga & Associates is also devoted to charitable activities and has provided pro bono legal services to the Albanian Children’s Foundation, Youth Albanian Parcel Services, American Chamber of Commerce, and the National Olympic Committee, to name but a few.
Legal
- Business Law
- Banking and Financial Law
- Competition Law
- Construction Law
- Employment Law
- Entertainment/Telecommunication Law
- Environmental/Telecommunication Law
- Environmental and Land Use Law
- Intellectual Property Law
- Litigation
- Procurement Law
- Real Estate Law

Tax
- Tax Advice
- Tax Audit Services
- Tax Compliance

Accounting
- Bookkeeping services
- Accounting advice