

To keep you up-to-date with the latest economic and financial developments, this bulletin provides information that may affect the operation of your business in Albania.

### Changes to Social Security & Health Contributions

Further to our Tax Alert no. 04/05, we inform you about recent developments on the social and health security scheme applicable to foreigners.

Through Directive no. 3724/4, dated 14.09.2005, "On implementation of article 2, of Law no. 9377, dated 21.04.2005", the General Tax Directorate (hereinafter "GTD") has recently released its official interpretation concerning the obligation of foreign individuals to pay social and health contributions in Albania.

The GTD's opinion is based on the interpretations made by Ministry of Labor and Social Affairs (letter no. 1055/1, dated 24.08.2005) and Social Insurance Institute (letter no. 1221/1, dated 11.07.2005).

The Directive states that "*the obligation to declare and pay social and health contributions applies also to foreign individuals that have entered into an employment relationship, or conduct business activities in Albania*".

Based on such provision, subject to social and health contributions in Albania are all foreigners, under employment relationship or self-employed (sole entrepreneurs registered with tax authorities).

However, foreigners conducting services in Albania on behalf of a foreign employer, which is not subject to registration requirements with the Albanian tax authorities, are exempted from the declaration and payment of social and health contributions in Albania.

Additionally, the aforementioned Directive determines that foreigners should immediately start declaration and payment of social and health contributions; hence commencing from September 2005.

The information contained in this TaxAlert is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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