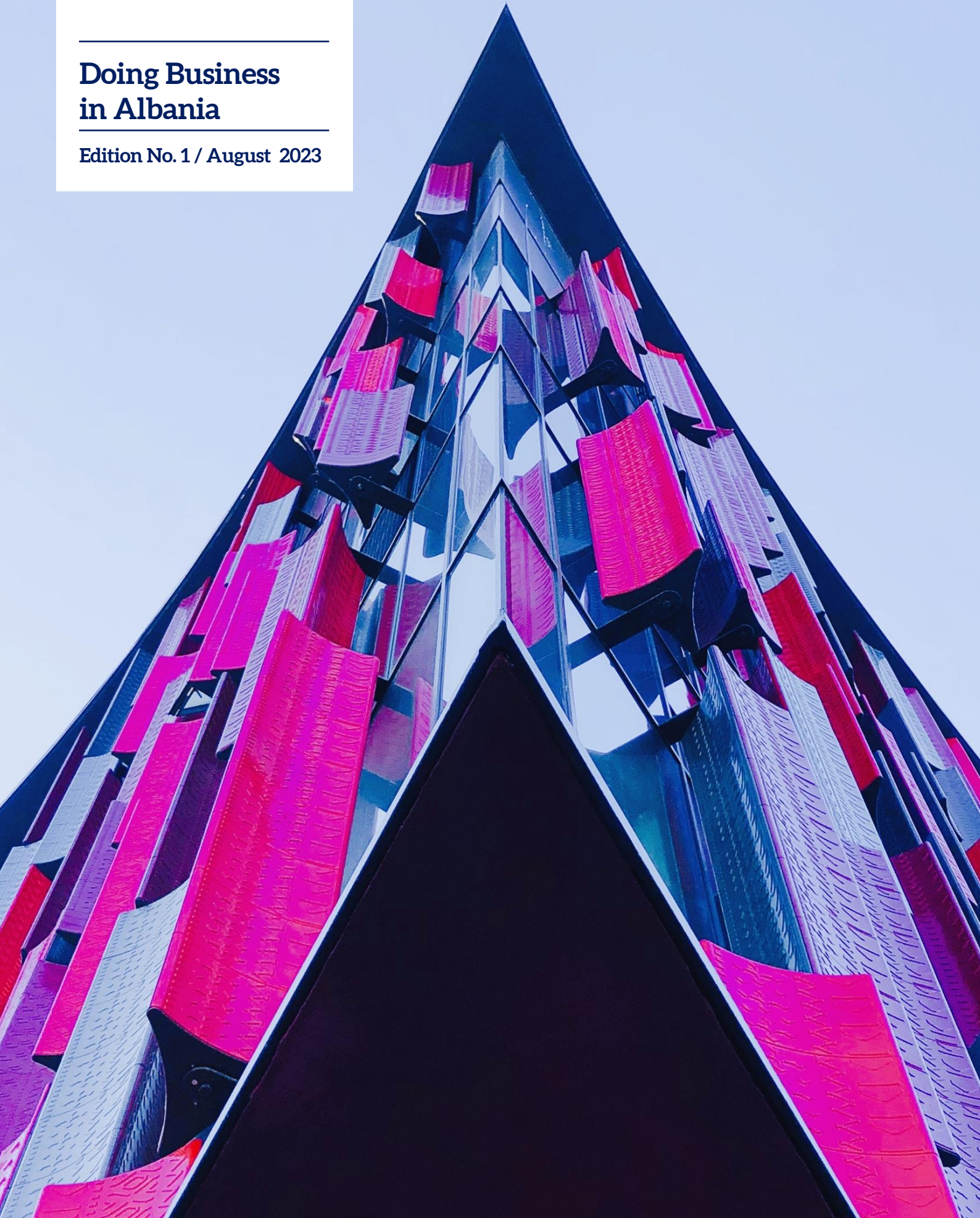




Independent legal & accounting firms

Doing Business in Albania

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Doing business in Albania



MSI's guide on Doing Business in Albania provides current information about the financial, regulatory and legal considerations that could affect business dealings within Albania. For further assistance please contact our MSI member firm in Albania.

Country overview

Population

Albania has a total population of approximately 2.8 million who live and live in Albania. The Albanian diaspora, which has Albanian citizenship, but lives outside Albania, is estimated to be around 1.6 million inhabitants (Year 2019). The Albanian diaspora, which has Albanian nationality but citizenship and lives in a country outside Albania, is estimated at over 10 million inhabitants. The countries with the highest number of Albanian diasporas are *Italy, Greece, USA, Germany, Canada, United Kingdom, Belgium*.

The surface of Albania is about 28,748 km².

Government

Albania is a unitary parliamentary constitutional republic. The Albanian legal system is a civil law system, with the Constitution being the highest legal act, followed by ratified international agreements, local laws adopted by the Parliament, and the normative acts of the Council of Ministers.

Languages

The national language is the Albanian language and is spoken by more than 8 million people. It is the official language of the Republic of Albania and the main language spoken in the self-proclaimed Republic of Kosovo (92% of its population are Albanians). There are two main spoken dialects of Albanian, southern Tosk and northern Gheg, and they are mutually intelligible.

Currency

The national currency is the Albanian leke. In the last 15 years, a high part of trade exchanges within the country are made in Euros and Dollars.

Economic summary

The official estimate for Albania's GDP was \$42 billion at the end of 2022 in purchasing power parity terms.

Main sector of the economy

Albania's economy is based on the service (54.1%), agriculture (21.7%), and industrial (24.2%) sectors. The country has some natural resources, and the economy is mainly bolstered by agriculture, food processing, lumber, oil, cement, chemicals, mining, basic metals, hydro power, tourism, textile industry, and petroleum extraction. The strongest sectors are energy, mining, metallurgy, agriculture, and tourism. Primary industrial exports are clothing and chrome.

Tourism has been a notable source of national income, particularly during the summer months. With over 8-10 million tourists annually per year, tourism generates revenue in excess of \$2.4 billion.

During the communist regime, Albania's agriculture was heavily centralized integrated with agriculture-related industries, and state-run. Today, agriculture in Albania employs 47.8% of the population and about 24.31% of the land is used for agricultural purposes. Agriculture contributes to 18.9% of the country's GDP. The main agricultural products in Albania are tobacco, fruits including oranges, lemons, figs, grapes, vegetables such as olives, wheat, maize, potatoes but also sugar beets, meat,

honey, dairy products, and traditional medicine and aromatic plants.

Albanian wine is characterized by its unique sweetness and indigenous varieties. It has one of Europe's longest histories of viticulture.

Setting up a business

Albania acts on free trade agreements. Any Albanian citizen or foreigner who wants to do business in Albania can open a business in Albania. Registration is carried out directly or through a representative at the National Business Centre with online procedures. Legal forms of businesses in Albania and the obligation to register:

- a) Natural persons who exercise economic activity or independent profession;
- b) Simple companies;
- c) Commercial companies;
- d) General partnership
- e) Limited liability partnership
- f) Limited liability company
- g) Joint stock company
- h) Branches of foreign companies
- i) Representative offices of Albanian companies and of foreign companies;
- j) Credit savings associations and unions;
- k) Joint ventures;
- l) Agricultural cooperation companies;

Other categories of subjects may have the obligation to register, if provided by special laws. As a general rule, entities that are registered as legal entities, gain legal personality after registering in the commercial register. While for some entities, such as natural persons, branches and representative offices of

foreign companies, simple companies and other entities according to the legislation in force, registration in the commercial register has only declarative

Legal forms and foreign entities in Albania

The process of Albania company formation is quick and efficient. Company formation in Albania is regulated by Law No. 9901 dated 14.4.2008 "On entrepreneurs and companies", as amended and by the Albanian Civil Code. The following is a brief description of the main elements of the commercial entities identified above, who have the obligation to register in the commercial register of the NBC.

Natural persons

The process of Albania company formation is quick and efficient. Company formation in Albania is regulated by Law no. 9901 dated 14.4.2008 "On entrepreneurs and companies", as amended and by the Albanian Civil Code. The following is a brief description of the main elements of the commercial entities identified above, who have the obligation to register in the commercial register of the NBC (*National Business Center*).

Simple companies

Even simple companies are regulated by the provisions of the Civil Code, which define simple company as a contract by which two or more persons agree to exercise an economic activity, in order to share the profits derived from it. In simple companies the contract is not subject to any special form. The company is considered simple, when it does not present the distinctive qualities of the company regulated in law no. 9901 dated 14.4.2008 "On traders and commercial companies".

Commercial companies

Commercial company formation is regulated by the provisions of law no. 9901 dated 14.4.2008 "On traders and companies", which identifies 4 forms of organization of companies, as follows:

General partnership

A company is considered a general partnership if it is registered registers under this name and conducts business

in which the liability of the partners to the creditors is unlimited.

Limited liability partnership

A limited partnership is a company in which the liability of at least one of the partners is limited to the value of his contribution, while the liability of the other partners is not limited. A partner whose liability is limited to the value of his contribution is called a limited partner. A partner whose liability is not limited to the value of his contribution is called an unlimited partner. The unlimited partner has the status of a partner of the general partnership.

Limited liability company

Limited liability company is the most widespread form of company. In this form of partnership, which may be established by natural or legal persons, the partners are not liable for the obligations of company and personally cover the company's losses up to the outstanding part of the signed contributions. The capital of a limited liability company is formed from the contributions of the partners, divided into quotas. Each partner enjoys his share in the company, in proportion to the contribution he has made to the capital. A limited liability company requires a minimum initial capital of only ALL 100 (*approximately USD 0.99 or EUR 0.72*).

Joint stock company

A joint stock company is a company established by natural or legal persons, who are not personally liable for the obligations of the company and who cover its losses only with the outstanding value of the subscribed shares. The capital of the company is divided into shares signed by the founders. The joint stock company can be with a private offer or with a public offer.

The basic capital of a joint stock company with private offering may not be less than ALL 3.500.000. The basic capital of a joint stock company with public offering may not be less than ALL 10.000.000. At least one fourth of the nominal amount of the shares for contributions in cash must be paid up before registration. The remaining

amount is paid in one or more instalments, in accordance with the decision of the Board of Directors.

Branches of foreign companies

Branches are places of commercial activity and have the same legal personality. They operate in a sustainable manner, are organized and administered separately and carry out activities with third parties, on behalf of the company. A branch is subject to corporate income tax in the same manner as other Albanian companies but there is no withholding tax in Albania for the repatriation of after-tax profits. The foreign company shall be liable, with its entire assets, for the liabilities arising out of its branch's operations. Foreign investors may choose to use the registration as a branch for their investments, if they plan a temporary presence in Albania, or if they decide not to legally separate the Albanian entity from the parent company.

Though part of a foreign company, branches are considered independent and therefore must keep separate accounting books and prepare balance sheets. However, registered capital is not required for the establishment of a branch.

Representation offices of Albanian companies and foreign companies

Representative offices are places of business activity of the company and have the same legal personality as the company. The purpose of the representative offices is not to generate income, but to promote the activity of the company. These offices may enter into agreements in the name and on behalf of the company. Foreign companies may open representative offices in Albania to carry out non-commercial activities.

Credit savings association and unions

Savings and credit unions are regulated by the provisions of law no. 52/2016, "On savings and credit associations and their unions". Based on these provisions, the savings and loan association is considered a partnership based on the voluntary organization of members, who deposit their money in the association,

to be used by it to provide loans only to members of the savings and loan association, with aimed at meeting the needs or interests of members.

Joint ventures

Joint ventures are based on an agreement entered into between two or more persons, physical or legal, that agree to engage in an economic activity with the other party/parties. What is particular to this type of partnerships is that joint ventures do not have legal personality: two companies might decide to create a new corporate entity for their joint venture and register it (*under one of the forms indicated above*); alternatively, they may agree by contract to start a joint enterprise without registering or creating a new corporation. In the latter case the activity shall be carried on by the two entities rather than through a new corporation. As a practical matter, while considering to enter into a joint venture with a local partner should carefully determine previously the expectations of the parties concerning the various aspects of the relevant investment or project. It is also recommended that foreign investors negotiate a dispute resolution mechanism (*e.g. an arbitration clause*) in the joint venture agreement.

Agricultural cooperation societies

Agricultural cooperatives are governed by the provisions of law no. 38/2012, "On agricultural cooperation companies". An agricultural cooperation company is considered a voluntary organization between natural or legal persons, in order to meet their needs or interests in the field of production, processing and marketing of agricultural and livestock products.

Financial year of taxes and financial accounts

The financial year is equal to the calendar year, 01 January – 31 December of the year.

Accounting and auditing

When is a statutory audit required? A statutory audit is required when 2 out of the following 3 criteria are met:

1. Annual turnover > € 1 million;

2. Total assets > € 0.5 million;
3. Number of employees > 30

Taxation

Albanian law applies the principle of worldwide taxation. Resident entities are taxed on all sources of income in and outside the territory of Albania, while non-resident entities are taxed on income generated only in the territory of Albania.

Individual and business tax: The division and the values of the taxation limits

Personal income tax rates

The following tax rates apply to income generated from employment:

- Salary income from 0 Albanian Leke (ALL) per month to 50,000 ALL (480 Euro) per month, the percentage tax rate is 0%.
- Salary income from 50,001 ALL per month to 60,000 ALL per month, the percentage tax rate is 13% of the amount over 35,000 ALL.
- Salary income from 60,001 ALL per month to 200,000 ALL per month, the percentage tax rate is 13% of the amount over 30,000 ALL.
- Salary income from ALL 200,001 onwards, the percentage tax rate is 13% of the amount above ALL 30,000 and ALL 22,100 + 23% of the amount above ALL 200,000.

Individual – residence

An individual is deemed to be a resident of Albania if one has a permanent home in Albania or if one stays in Albania, either consecutively or intermittently, for more than 183 days in a calendar year irrespective of one's citizenship or *centre* of interests. Calendar year is the same as the fiscal year that starts on 1 January and ends on 31 December.

VAT

The general VAT rate is 20 %. The VAT of seeds and seedlings is 10%. All medicines and exports are excepted from VAT.

Categories of taxation values

- a) For turnover/income from 0 Euro to approximately 78,000 Euro (*8 million Albanian new Lek*) the business is tax-free, i.e. it does not pay tax on profit and is exempt from paying VAT. Business within these limits is treated as "medium" business or in technical terms Business with Simplified Profit Tax.

In this category, the business pays:

1. Insurance for each employee.
 2. Annual Taxes of the Municipality (*Community*).
- b) For turnover/income from 78,000 Euros to approximately 98,000 Euros (*10 million Albanian Leke*) the business is tax-free, i.e. it does not pay tax on profit and is exempt from paying VAT. Everything pays as in point A, but here the Tax Liability changes, as the business goes from "Medium" to "Large", with Profit Tax even though within these limits the Profit Tax is equal to 0.
 - c) For turnover/income over 98,000 Euros or (*Over 10 million new Albanian Leke*), the business is treated and entered under the VAT regime. Our VAT is 20%. So it starts with this threshold and until infinity the turnover/income that the business generates is treated in this way at 20% VAT. Attention, here we only dealt with the VAT regime.
 - d) For turnover/income from 0 Euro to approximately 130,000 Euro (*14 million new Albanian Leke*) the business is tax-free, so it does not pay tax on the profit. Above 130,000 Euro turnover/revenue to infinity (*as there are no more classification barriers*) the business will pay 15% of the gross profit.
 - e) So in conclusion, with a turnover of over 130,000 Euro for sales within the country, the business pays VAT in the amount of 20% and Profit Tax of 15%.
 - f) The dividend in the case when the shareholders want to withdraw their

profits is always 8% of the profit that the shareholders want to distribute for personal purposes.

- g) The value of Insurance (*Health and Social*) for an employed individual is about 110 euro per month per person.
- h) Currently (August 2023) the minimum wage in Albania is 380 Euro or (40,000 Albanian Leke).

Wage tax

The basis and rates of wage tax is similar to the income tax for individuals. Wage tax is a withholding tax and as such it is an advance payment on income tax.

Withholding taxes

The most common withholding tax on contracts agreements in value tax with a rate of 15%.

The dividend tax is 8 %.

HR/ Labour Law

Employment law

Employment law in Albania, regulated by the Labor Code, covers various aspects of employer-employee relationships. It mandates written contracts, sets a standard workweek of 40 hours, and establishes a minimum wage. Employees are entitled to paid leave, and termination follows specific procedures. Discrimination is prohibited, workplace safety is ensured, and collective bargaining rights are protected. Hiring foreign workers involves additional requirements like work permits.

The Labor Code of Albania is the primary legal framework that addresses various aspects of employment, including hiring, working conditions, wages, termination, and more.

Pension

Pensions in Albania are a vital component of the social security framework, providing financial support to individuals during their retirement years. The pension system is administered by the Albanian Social Insurance Institute (*INSSH*), and it encompasses both contributory and non-contributory components.

Contributory Pensions: Workers make regular contributions to the pension fund throughout their working years. The amount of the pension is influenced by the individual's earnings history and the number of years they have contributed. There are different categories of contributory pensions, including old-age pensions, disability pensions, and survivor pensions.

Retirement Age: The retirement age in Albania varies based on factors such as gender and occupation. It is subject to changes over time based on government policy. The retirement age is currently 65 years *old* for men and 60 to 63 years *old* for women.

Non-Contributory Pensions: Albania also offers a non-contributory pension program for individuals who do not qualify for a contributory pension due to limited or no work history. This provides a basic level of support to vulnerable and low-income individuals.

Visa and work permits

Most of the world's countries travel to Albania without visas for a certain period of time. Also, you can apply online from our side to be provided with a 1-year or more residence permit for staying in Albania for foreign citizens.

US passport holders can stay in Albania for more than a year without initially needing to apply for a visa.

People must apply for a work permit before taking employment in Albania.

Digital Nomads in Albania

Albania's Parliamentary Commission for Economy and Finance has endorsed several amendments to the "Support and Development of Startups" Law No.25/2022, to further facilitate Digital Nomads in the country.

Albania Tech states that for the initial 12 months, digital nomads won't be recognized as Albanian tax residents, provided **they're exempt from taxes for the first year**. All digital nomads are also required to have a permit as per the "Foreigners" law and its related regulatory acts.

Digital nomads employed overseas, self-employed remote workers, students, researchers, and others are entitled to apply for Albania's Digital Nomad Visa.

The Digital Nomad Visa enables remote workers to legally reside in Albania while working for overseas employers or clients. One of the program's main objectives is to aid the country's economic growth, which has been significantly affected by COVID-19 and its new strains.

US passport holders can stay in Albania for more than a year without initially needing to apply for a visa. Similarly, digital nomads from Australia, Canada, Japan, Israel, New Zealand, the UK, and European countries can stay in Albania for over 90 days visa-free.

Contact us

The information provided in this guide cannot be exhaustive and we recommend anyone considering doing business in Albania should seek professional advice from our member firms before making any business or investment decision.

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