

Investment Guide





Legal framework

The Albanian legislation related to foreign citizens is in compliance with the EU directives as related to immigration policy.

The Law on Foreigners provides that the citizens of the USA, the EU and the Schengen area countries enjoy equal rights with Albanian citizens as regards employment and self-employment.

Foreigners are divided into two categories - those who must secure a visa when crossing the borders of the Republic of Albania and those who are exempt from that requirement.

Foreigners who wish to reside in Albania on a long-term basis (in any case more than three months within each six-month period) shall be issued a residence permit. Foreigners may work in Albania only after obtaining a work permit, unless otherwise stipulated by the law.



Visas



Albania is relatively easy to access. Foreign citizens can enter Albania after presenting valid passports or any other valid traveling document.

They have to present their valid passports or other valid traveling documents at a border checkpoint and are granted a stay permit of 90 days.

All foreigners who are not exempt from obtaining a visa must be issued

a visa before they enter Albania at the missions of the Republic of Albania which cover the respective country of residence.

Residence permits

Residence and work permits are regulated in accordance with the Law on Foreigners No. 108/2013 dated 28 March 2013 and the respective sublegal acts.

A residence permit can be issued for a period of:

A three-month, six-month, one-year term and can be renewed not more than five consecutive times;

A *two-year* term which can be renewed not more than once;
A *five-year* term;
Permanently, if the foreign citizen has legally resided in Albania for five consecutive years and has stable activities or relationships in the country.

The Law on Foreigners provides different types of residence permits:

Ordinary occasion:

Residence permit type "A" not renewable;
Residence permit type "B" renewable;
Residence permit type "C" issued for an indefinite;
Residence permit "Blue Card AL-C" issued for an indefinite period only for highly qualified employees;
Residence permit for employment purposes which is granted in compliance with the conditions of the work permit;
Residence permit "Blue Card AL" renewable and issued for a defined period for highly qualified employees;
Residence permit type "S" renewable after a six month interruption period;
Residence permit for the self-employed which is granted to self-employed persons in compliance with the conditions of the work permit;
Residence permit for vessels crews which is granted to the vessels crews employed on vessels registered in the Republic of Albania and performing activity as employees for more than 90 days in a period of 180 days as well as to the crews who perform activity as employees on foreign vessels but according to the specifics of the activity stays in the harbors of the Republic of Albania for more than 90 days in a period of 180 days.

Special occasion:

For seasonal work
For vocational training
For youth exchange
For voluntary services
For scientific research
For students
For humanitarian occasions
For victims of human trafficking
For family reunion.

Work permits

The authority empowered to issue work permits is the General Directorate of

National Labor Service or the Labor Office of the relevant territory, part of the Ministry of Labour, Social Welfare and Youth. Foreigners working in the Republic of Albania, depending to the specific case, must obtain a work permit or a work registration certificate. The following categories of foreign workers are exempted from either obligation:

- a) Citizens of those countries which are part of the EU and Schengen zone have the same employment rights as Albanian citizens, except where the legislation in force requires Albanian citizenship for the job position;
- b) The working foreigner is only staying for one month in any one year in case of: (1) foreigners who are negotiating an agreement or supervising a trade event stall; (2) business visitors; (3) crew members of ships or aircrafts; (4) lecturers, researchers or foreign specialists who come into Albania pursuant to agreements between governments, governments and educational institutions or private sector parties and educational institutions; (5) educators who come into Albania pursuant to bilateral governmental agreements or agreements concerning educational institutions; (6) employees of humanitarian organizations active in Albania pursuant to international programmes of cooperation.

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

1. Standard application form completed and signed by the foreign citizen;
2. A National Registration Center extract confirming the employer's registration;
3. The applicant's employment contract;
4. A copy of the passport of the foreign citizen;
5. Five photos. 17 The above documents might vary slightly depending on the type of work permit requested.

The official fee to be paid for the work permit is ALL 6,000 (approx. EUR 45,00).



ESTABLISHING A COMPANY IN ALBANIA

To perform a business activity in Albania, a foreign investor must be first registered at the NRC-QKR. A foreign investor may choose:

- a. Sole Entrepreneur
- b. Unlimited Partnership
- c. Limited Partnerships
- d. Limited Liability Companies
- e. Joint stock companies

Minimum initial capital of only ALL 100 (approximately USD 0.99 or EUR 0.72).

The minimum initial capital required is ALL 3.5 million for privately held companies with no public offering, and ALL 10 million for companies which are publicly listed.

At least one fourth of the nominal amount of the shares for contributions in cash must be paid up before registration.

- f. Joint ventures

Branches and Representative Offices

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

National Registration Center (QKR-CNR) and National Licensing Center (QKL – NLC)

www.qkr.gov.al

www.qkl.gov.al

Starting a business became easier through online publication of the relevant documents, reduction of the registration cost and consolidation of tax, health insurance and labor registration into a single application.

The National Licensing Center based on the “one-stop-shop” model has facilitated the licensing process.

THE ALBANIAN TAX SYSTEM

Tax legislation

Tax legislation in Albania is managed through the General Tax Department and is subject to frequent improvements and amendments due to the EU integration process and modernization of the Albanian public administration. More detailed information on tax legislation in Albania can be found in the web page of the General Tax Department.

www.tatime.gov.al

The Fiscal Package of 2014/15 brought significant changes in the tax policies, mainly in VAT and direct tax.



Level of taxations

Legal and/or physic persons in the Republic of Albania are subject to the following taxes:

Tax	Tax rate
Tax on Profit	15 %
Personal Income Tax	0 %, 13%, 23% (progressive taxation)
Source Tax	15 %
Value Added Tax	0%, 20%
Tax on immovable property.	Tax level for buildings is between 5 – 400 ALL/m ² /year according to the type of buildings and the area where it is located. Tax level for agricultural land is between 700 – 5600 ALL/ha/year according to the category of land and district where it is located.
Excise duty	Levied on coffee, beer, wine, alcohol and alcoholic drinks, tobacco and its by-products, oil and their by-products, fireworks, tires, cells and primary batteries, packaging, incandescent lamps.

Income tax

Law 177/2013 "On Some Amendments to Law 8438, date 28.12.1998, "Incomes Tax", as amended"

- Personal Income Tax
 From 1 January 2014, PIT is a progressive tax on salary
- Profit tax

From January 1, 2014, profit tax in Albania is 15 %.

A legal person is considered as an Albanian resident if:

- Has a permanent establishment (head office) in the Republic of Albania;
 - Has a business point of effective management in the Republic of Albania.
- If a resident has a house in Albania, or has stayed in Albania for more than 183 calendar days in a year, then the resident is obliged to pay taxes to the Albanian tax department.
 Each individual must file taxes separately.



Taxable incomes are considered all of the following:

- Tax on Personal Income from Labour and other Payments

Taxable income	Monthly (in ALL)	Tax Rate (%)
Over (in ALL)	Up to (in ALL)	
0	30 000	0 %
30 001 +	130 000	13 % of the amount over 30.001 All
130 001 +	and more	23 % of the amount over 130 001 All

Dividends and other taxable income

Dividends, profit shares, incomes derived from interests of loans, deposits or other similar contracts, incomes generated from the intellectual property ownership, rents and other similar contracts are taxed at a rate of 15%.

- Source Tax

All the residents in the Republic of Albania, central and local government, non-profit organizations and any other entity, recognized by the legislation

into force, are constrained to withhold the tax at source at 15% from the gross amount of the following payments, generated by a source in the Republic of Albania:

Interests	15%
Share of profit	15%
Fee for technical, management and financial services, etc.	15%
Fee for Rent	15%
Dividend	15%
Payment for author's and intellectual property right	15%

The corporate tax rate in Albania

Profit Tax Rate	15%
Capital Gains Tax Rate*	15%
Branch Office Tax Rate	15%
Withholding Tax**	15%
Dividends	15%
Interest	15%
Royalties from patents, know-how, etc.	15%



* Capital gains are included in the personal taxable income and taxed at the regular tax rates. No separate capital gains tax is imposed on companies in Albania.

** These withholding taxes are final withholding taxes.

Note: Withholding Tax, Dividends, Interest, Capital Gains Tax are included in the personal income tax base, in the Albanian legislation.



Depreciation of assets

Depreciation of assets is a key deductible expense. It shall be calculated by:
 The owner of assets of business; or
 The person who bears the risk for losses or damage of assets, in cases of assets given in rent, usufruct, or any other form as provided by legal provisions.

Straight line depreciation

The depreciation is calculated on the initial value of assets (historic costs) and costs of improvement, restoration and reconstruction of the same asset.

Costs of purchase or construction, and costs of improvement, restoration, and reconstruction of buildings, machineries and equipments which serve for more than 20 years, are depreciated at the rate of 5% per annum.

Intangible assets of the business like patents, trademarks, or expenses for starting up the business are depreciated at a rate of 15% per annum.

Pooling system

The depreciation is calculated on the residual value of the assets group (difference between the initial value of the assets group and depreciation) and costs of improvement, restoration and reconstruction of the assets minus revenues generated from sales or other types of compensations.

Computers, information systems, software products, and equipment of data-base back up at 25% per annum.

All other assets of business activity like production machineries and equipments, transportation vehicles, etc. are depreciated at a rate of 20% per annum.

- **Tax prepayment**

Taxpayers, whose prepayment amount does not exceed 10.000 ALL/month, pay corporate income tax installments quarterly.

The amount to be paid monthly by the taxpayers with less than 2 years of business activity is calculated according to the instructions given in the Instruction of the Minister of Finances no.5, dated 30.01.2006 "On income tax".

- **Local tax on small business**

Local tax on small business is paid in four equal rates. The first rate has to be

paid within the 20-th of April, the second one not later than the 20-th July, the third one not later than 20-th of October and the fourth one not later than 20-th December of the next year.

The place and the way of tax payment it is defined with a special instruction.

Businesses with an annual turnover from 0 to 2 million ALL (€0 – €14,000) are subject to an annual fixed tax obligation amounting 25,000 ALL (approximately 180 Euro)

Businesses with an annual turnover from 2 to 8 million ALL (€14,000 – €56,000) are subject to a simplified income tax of 7.5%.

- **Tax on profits**

During the coming tax period, the taxpayer pays the respective monthly tax on profit to the tax organ accounts no later than the 15th of each month, accounting for the next month, according to the calculation formula described above.

The final calculation of the tax on profits is based on the factual data included in the tax declaration and other supporting documents, such as the balance sheet and its annexes, data from tax controls, as well as any other legal document that helps to determine the tax obligation.

If the tax declared on the basis of the annual income declaration is far bigger than the advance payments made during the year, the taxpayer is obliged to pay the difference at the moment he presents the declaration. If the advance payment amounts turn out to be far bigger than those declared in the annual income declaration, or those resulting from a tax control, the tax organs are obliged to recognize these sums for overdue payment of tax obligations or for the payment of future obligations, including the advance payment amount for the coming periods. Upon taxpayer's request, these sums could be returned to him within 60 days after receiving the tax declaration.

- **Crediting foreign tax**

Crediting foreign tax has to do with crediting and recognition of taxes that taxpayers residing in the Republic of Albania have paid in other countries (outside the territory of the Republic of Albania) on profits that they have made in those countries. But this reduction or recognition cannot exceed the Albanian tax level to be applied on those incomes if they had been made within the territory of the Republic of Albania.

- **Transfer Pricing Rules**

Transfer pricing or profit transferring through changes in prices is applicable only in case of commercial companies owned by the same persons and operating in two or more countries where tax legislation is different. Such companies can set selling prices for their inputs or products in such a manner that the majority of the profit can be transferred in the country where the Corporate Income Tax level is lower. The same principle is applicable to services that such legal entities provide to each other.

The company can carry forward losses for 3 consecutive years. However this does not apply when there are changes of more than 50 % in ownership titles.

• Value Added Tax

The Law no. 92/2014 "For Value Added Tax", amended:

1. Medicine and health care
2. Hydrocarbon Sector
3. VAT reimbursement

For the taxpayers that offer for profit services such as: lawyer, notary, specialised doctor, dentist, specialized dentist, pharmacists, midwife, veterinarian, architect, engineer, laboratory-doctor, projector, economist, accountant, property evaluators, as well as other economic services in the field of the tourism, despite the yearly circulation, the minimum level for registering for VAT does not exist, and all are subject to VAT.

VAT is applicable on sales of goods and services or the import of goods at a standard rate of 20%.

VAT is applied at zero rates (0%) in the following cases:

The supply of goods exported outside the territory of Albania.

The supply of goods and services relating to international transport of goods and passengers.

The supply of goods and services relating to maritime commercial or industrial activities.

All natural or legal persons who perform export – import activities are obliged to register for VAT purposes, regardless the total amount of their annual turnover.

To claim for VAT reimbursement the taxpayer must have carried forward a VAT tax credit for 3 consecutive months and the total refund must exceed 400.000 ALL.

The following operations are excluded from payment of VAT:

Financial services supply

Gold, bank-notes or currencies supplies to the Bank of Albania

Postage-stamp supply used for mail service or similar stamps

Supply provided by a non-profit organization against a reduced payment is considered an excluded supply under the conditions laid down by the article 24 etc.

Land and buildings

Diplomatic Body

Petroleum operations

Drug packaging and materials

Sales of books, newspapers, magazines and advertising services

Completion of subcontractors for the supplying of goods and processing services, destined for re-export for the taxable persons authorized pursuant to the provisions of the Customs Code for operations under the inward processing procedure.

Supplies of gambling services, casinos and hippodromes supplies.

Provision of identity cards ID

International Services

Exempt supplies in import

• Taxes on Immovable Property

Tax on immovable property is a local government tax. According to the Albanian legislation, immovable property includes: a) buildings and, b) agricultural land. Subject to tax on immovable property are all natural or legal persons, domestic or foreign, owners of the above mentioned properties in the territory of the Republic of Albania, despite the level of exploiting such property.

Taxes are assessed as annual liabilities on taxpayers. Period of annual tax liability runs from January to December of the year concerned.

Minimum categories of tax base and indicative tax levels on building and agricultural land are given in the following tables.

Indicative tax levels on buildings (ALL/m² per year)

Minimum Building categories	Municipalities		
	Zone 1	Zone 2	Zone 3
I. Residence Buildings			
- Built before 1993	15	10	5
- Built during or after 1993	30	12	6
II. Other buildings			
- For trade and services	400	300	200
- Others	100	60	40
III. Building owned or use in territories approved as tourist villages	400	400	400
Zone 1: Tirana, Durrësi.			
Zone 2: Vlora, Fieri, Saranda, Pogradeci, Korça, Elbasani, Berati, Lushnja, Gjirokastra, Shkodra, Kavaja, Lezha			
Zone 3: All other municipalities			

The above indicative tax levels, are applied on the specified categories of build-

ings located in urban areas (municipalities). For buildings located in rural areas (communes), of section III of the table “building owned or use in territories approved as tourist villages”.

Indicative tax levels on agricultural land ALL/ha per year

Minimum Categories and Tax levels on agricultural land

Land category*	District			
	Zone 1	Zone 2	Zone 3	Zone 4
I	5 600	4 200	2 800	1 400
II	4 900	3 500	2 100	1 200
III	4 200	2 800	1 400	1 100
IV	3 600	2 300	1 350	1 000
V	3 000	1 900	1 250	900
VI	2 400	1 600	1 200	800
VII-X	1 800	1 400	1 100	700

Zone 1: Tirana, Durrësi, Kavaja, Kruja, Lezha, Lushnja, Fieri, Vlora, Saranda.

Zone 2: Shkodra, Elbasani, Berati, Korça, Delvina, Kurbini, Peqini, Kuçova.

Zone 3: Gjirokastra, Përmeti, Pogradeci, Librazhdi, Dibra, Mati, Skrapari, Mallakstra, Devolli, Tepelena.

Zone 4: Bulqiza, Hasi, Kukësi, Tropoja, Puka, Mirdita, Malësia e Madhe, Gramshi, Erseka

* - Classification of agricultural land category is defined by the Ministry of Agriculture, Food and Consumer Protection.

• Excise Duties

Law 180/2012 “For some amendments in Law 61/2012 “For Excises in the Republic of Albania” amended:

Cigarettes excise tax is increased as follows:

ALL 4500/1000 pieces, starting January 1, 2014

ALL 5500 /1000 pieces, starting January 1, 2015

ALL 5500/1000 pieces, starting January 1, 2016

ALL 6000 /1000 pieces, starting January 1, 2017

Increase of excise tax on curly tobacco in ALL 3000 per kilo from ALL 1500 per kilo and an annually increase of ALL 700 per kilo for the next three years.

Increase excise taxes on alcoholic beverages (no beer) for sparkling wine, champagne, fermented beverages and carbonated (W300), and intermediate alcoholic beverages (I000) in ALL 5200 from ALL 2600 that it is currently.

In the 2014 fiscal package excise taxation of beer is amended as follows:

From local and foreign quantities less than 200,000 HL per year, ALL 360 / HL / alcohol degrees

From local and foreign quantities greater than 200,000 HL per year, ALL 710 / HL / degrees alcohol

Two new products are added to the list of excise products 1) grease with ALL 40 / kilo and "energy drink" with ALL 50/litter;

From April 1, 2014 will be removed the exemption from excise duty for imported fuel for their own needs of hydrocarbon companies.

This tax applies on all of the following categories of products:

Coffee;

Beer, wine, alcohol and alcoholic drinks;

Tobacco and it's by products;

Oil and it's by products;

Fireworks;

Tires;

Packaging;

Cells and primary batteries;

Incandescent lamps.

However, physical or legal entities are permitted to perform transactions without paying excise tax if excise products are going to be exported or are set under a customs or fiscal suspension system

Employees And Social Security

Legal framework

The major item of legislation that governs employment relations in Albania is Law No. 7961 dated 12 July 1995 on the Labor Code of the Republic of Albania (LC). The LC regulates all major aspects of employment relations as employment contracts, Working hours, premiums for overtime work, absences, holidays and paid annual leave and the minimum wage, special protection for different categories of employees etc.

Employment contracts

Labor relationships in Albania, as well as the rights and obligations under the agreements between employers and employees, are set out in employment contracts.

The LC regulates the following major types of employment contracts:

- a. Contracts concluded for an indefinite period of time;
- b. Contracts concluded for a defined period of time.



According to the Labor Code, as a rule the employment contract should be concluded in writing for an indefinite period of time. However, provided that there are objective reasons related to the temporary nature of the work, the employment contract may also be concluded for a defined period of time.

Working hours

The LC provides that the normal workday must not exceed eight hours per day. The normal working week must not exceed 40 hours. Employees who are less than 18 years old must not work more than six hours per day.

Pursuant to the Albanian Labor Code, additional remuneration must be given to employees working between 7:00 pm and 10:00 pm and it must not be lower than 120% of the standard hourly rate.

Every working hour taking place during the interval from 10:00 pm to 6:00 am entitles employees to an extra payment added to their salary, which is not lower than 50% of the salary.

In cases that the circumstances require extra hours of work, according to the Labor Code, the employee must not perform overtime when working more than 50 hours per week. The overtime must be paid with a bonus of 25% of the regular rate or may be compensated with holidays.

Holidays

Annual holidays

Employees are entitled to annual leave other than public holidays. The duration of the annual leave is not less than four calendar weeks during a year of work.

The annual leave must be given during the working year or until the end of the first quarter of the following year and it must not be less than one uninterrupted calendar week.

Other paid holidays

In the event of marriage or death of one's spouse, direct predecessors and descendants, an employee receives five days of paid leave.

When an employee is not able to work because of sickness, the employer must pay the employee not less than 80% of their salary for a period of 14 days which is not covered by social security.

Public holidays

Albania's Government has set a number of days as public holidays on certain days during the year while religious holidays are subject to change every year.

Healthy and safe working conditions

One of the main obligations of the employer is to provide healthy and safe working conditions.

The labor legislation sets forth strict obligations to the employer in relation to the provision and maintenance of healthy and safe working conditions, which include but are not limited to:

- Performing assessment of risks to the health and safety of employees to prevent risks for accidents at work place and professional diseases;

- Determining protection measures to be taken and necessary protection equipment to be used to provide individual and collective protection of employees;

- Keeping a register of accidents at work when the employee benefits from temporary work disability for more than three days due to accidents or professional diseases and preparing reports in case of work accidents in order to provide it to the authorities.

Undertaking the above obligations by employers is subject to inspection and control by the Labor Inspectorate.



Termination of employment contracts

According to the regulations of the Albanian Labor Code, the process of termination of employment contracts differs based on the type of the contract.

In case of termination of an employment contract for an unlimited period, the parties notify each other through providing written notice of:

- One month during the first year of work;
- Two months if the employee has worked for the entity for between two to five years;
- Three months if the employee has worked for the entity for more than five years.

The Labor Code does not provide for the possibility for the employer to terminate the employment contracts with defined period. However, for all types of contracts, immediate termination can occur at any time for justifiable reasons.

Employment tax and social insurance

According to Law No.7703, dated 11 May, 1993 "On Social Security in the Republic of Albania" and Law No.7870, dated 13 October, 1994 "On Health Security in the Republic of Albania", as amended, employers and employees are required to make mandatory contributions to social and health care security system.

The minimum wage for employees who have an employment contract at national level is ALL 22.000 and the maximum wage for employees is ALL 97.0

Social and Health Insurance Contributions

Law no. 184/2013 dated 28.12.2013, presents the following amendments to the Mandatory Health Care Contributions Law no. 10383, dated on 24.02.2011.

Health Insurance Contributions amounting to 3.4% will be calculated based on the gross salary.

Both the employer and the employee pay social and health insurance contributions, as per the rates shown in the table below.

Contribution Rate	Social Security	Health Insurance
Paid by employer	15%	1.7%
Paid by employee	9.5%	1.7%
Paid by self-employed persons	23%	3.4%

SPECIAL INVESTMENT CONSIDERATIONS

Banking, insurance, securities, pension, health and investment fund activities are subject to special laws, which govern the terms of conducting their business operations, authorizing the operators on the market and establishing the minimum capital for carrying out these types of activities.

The Bank of Albania is the responsible authority for licensing and supervising banks and other financial institutions, while the Financial Supervisory Authority (FSA) regulates and supervises the securities market, insurance market, supplementary pensions market, and other non-bank related financial activities.

Foreign exchange

Regulation on the Foreign Exchange Activity governs transfers and transactions between residents and nonresidents in the form of payments and transfers from and into Albania. Such a regulation simplifies the procedure for cross-border payment transactions and/or foreign currency transfers from Albania to other countries and removes ceilings on the maximum amount that can be transferred. The regulation treats residents and non-residents alike in terms of physical movement of foreign currency at customs offices.

The regulation liberalizes also personal and physical transfers of assets into and from Albania. Personal transfers include those, whose object is assets deriving from loans, endowments and gifts, inheritance, tax settlements by immigrants in their previous residence, transfers of assets of immigrant residents for the period of their staying abroad, income from games of chance and savings of non-residents employed in Albania. Physical transfers include national or foreign currency cash movement, transfer of gold and precious metals and securities.

For amounts above ALL 1 million or their equivalent in foreign currency, residents and non-residents have to declare the source and purpose of holding that amount at the customs authorities. Nonresidents, who temporarily visit Albania, can take out foreign currency in cash and/ or travelers' cheques up to the amount when entering Albanian territory.

Also, residents and non-residents may transfer abroad, gold and precious metals standardized only through entities licensed by the Bank of Albania.

Import and Export Regulations

Both exports and imports have grown very rapidly during recent years. The main products exported are those agricultural, fishery products, spirits and unprocessed tobacco.

The main trade partners of Albania are from the European Union such as Italy, Greece, Germany, etc.

The Albanian legal framework on imports and exports of goods is based on Law 8449 "On Customs Code of the Republic of Albania" amended by Law No. 102/2014 dated 31 July 2014 "On Customs Code of the Republic of Albania".

Custom tariffs

The Albanian Government signed a FTA with the EU as part of its Stabilization and Association Agreement negotiations. The agreement foresees a duty-free regime for almost 90% of agricultural and industrial products. Tariffs are applied to all the products listed.

The tariff level in Albania is being continuously liberalized. The basic levels (MFN levels applied in Albania) are four: 0%, 2%, 10% and 15%. The rate of 15% is applied on products such as textiles, jewelry and certain food products. The lowest duty rate of 0% is applied mainly to humanitarian aid and waste processing equipment.

Environmental law

Albania applies the law on the Protection of Environment. This law sets out the principles, requirements, responsibilities, duties and general procedures for ensuring a high level protection of the environment in Albania. It is in line with Directive 2004/35/CE of the European Parliament and of the Council of 21 April 2004 on environmental liability with regard to the prevention and remedying of environmental damage.

Environmental permits

Environmental permits are divided into three categories depending on the activity:

For activities of category A, type A;

For activities of category B, type B;

For activities of category C, type C.

The environmental permits are issued by the National License Center (NLC), prior approval of the National Environmental Agency and Minister of the Environment and of the Regional Environment Agency.

Intellectual Property

The intellectual property statutory legislation in the Republic of Albania is represented by Law No.9380, dated 28 April 2005 "On Copyright and Related Rights" and Law No.9947, dated 27 April 2008 "On Industrial Property".

Copyright Law

The Copyright Law applies to works from literature, art and science. Copyright protection in Albania is granted automatically, with no need of registration by the authors.

The Albanian Copyright Office acts as a depositary where authors can register their works.

Businesses publishing their work for the first time in Albania benefit from auto-

matic copyright protection to all the other countries that are members to Berne Convention and TRIPS Agreement. No specialized court to adjudicate disputes related to copyright or industrial property exists in Albania.

Industrial Property

The Industrial Property law regulates the system of granting and protection of: patents and utility models (for the protection of inventions), industrial designs, trade and service marks, as well as geographical indications. In order to obtain protection in Albania, these rights should be registered to the General Directorate of Patents and Trademarks (GDPT).

Designs and trademarks can also be registered at EU level. The protection granted to industrial designs under Industrial Property law is without prejudice to protection granted under the Law on Copyright.

Trade secrets

Article 18 of Law on Entrepreneurs and Commercial Companies defines trade secrets as a data considered by the company as an internal information or document that the company protects in appropriate manners, which, if disclosed to unauthorized persons would cause a considerable damage to the commercial interests of the company. To obtain protection, trade secrets need not be registered.

Administrators, members of the board, members of the employee's council, and employers' representatives are liable to the company for damage caused from disclosure of trade secrets for which they have knowledge given the exercise of their functions at the company.

Goods infringing intellectual property rights

To better protect consumers and right-holders, the Implementing Provisions of the Customs Code lay down various provisions aimed at combating counterfeiting and piracy, and clarifies the means and conditions for customs action.

This act enables customs authorities, in cooperation with right-holders, to improve controls at external border.

Where goods are suspected of infringing intellectual property rights, the right-holder may lodge a written application with the relevant customs authorities.

Concession Regime

The aim of this law, which is in line with EU directives, is to establish the necessary framework for fostering and facilitating the implementation of concessionary and public and private partnerships (PPP) projects, financed by the private sector, based on the principles of non-discrimination and equality of treatment of actual and potential bidders, of transparency of procurement procedures and reciprocity, as well as on principles of proportionality of requirements and obligations imposed to actual and potential bidders and legal security. The law sets out special procedures for the granting of concessionary and PPP projects.

Under the new law, the areas of public services and infrastructure are:

- Transport (railway system, rail transport, ports, airports, roads, tunnels, bridges, parking, public transport);
- Generation and distribution of electricity and heating;
- Production and distribution of water, treatment, collection and distribution;
- Administration of waste water, irrigation, drainage, cleaning of canals and dams;
- Collection, transfer, processing and administration of solid waste;
- Telecommunication;
- Science and education;
- Health;
- Tourism, leisure and hotels;
- Culture and sports;
- Social services;
- Prison and judicial infrastructure;
- Rehabilitation of land and forests;
- Industrial parks, mining;
- Housing, governmental buildings, service of maintenance of it and data base infrastructure;
- Recycling projects;
- Natural gas distribution.

Public procurement

Public procurement is regulated by the Law on Public Procurement. The subject matter of public procurement are the procedures undertaken from contracting authorities for the selection of winners of public contracts for goods, works and services.

Contracting authorities are obliged to conduct a public procurement award procedure when the grounds provided in the law exist.

Any Albanian or foreign physical or legal person, as well as any combination of such persons, may participate in a public procurement procedure. Public procurement can be awarded by conducting:

- Open procedure;
- Restricted procedure;

- Procurement for small value;
- Consulting services;
- Design contest.
- Negotiated procedure without publication of contract;
- Negotiated procedure with publication of contract;

Any decision, action or omission by the contracting authorities in a public procurement award procedure until conclusion of the contract or of the framework agreement is subject to appeal as to the legal conformity before the Public Procurement Agency and Public Procurement Commission.

National regime

The Albanian law on Foreign Investments provides that foreign investments in Albania are not subject to a prior authorization. Such investments are treated on the basis of no-less-favorable treatment than similar domestic investments, with the exception of investments in real estate. In all events, foreign investments benefit an equal and impartial treatment as well as complete protection and security. In addition, foreign investments benefit no-less favorable treatment than that ensured by the provisions of international law.

Priority of international treaties

Albania has concluded bilateral treaties for encouraging and mutual protection of investments with the most WTO member states as well as with other countries.

These treaties introduce the principles of the Most Favored Nation and the principle of the national regime for all investors from the other country. In case of conflict between the provisions of the treaties with the domestic legal provisions, the treaties' provisions have priority over domestic law.

Law on foreign investments

Aiming at encouraging foreigners (either physical persons or legal entities) willing to invest in Albania, the law provides considerable guarantees to them, consisting of:

- Removal of prior authorization from the government and the opening of all sectors to foreign investment;
- Removal of limitations in the share of foreign participation in Albanian companies as 100% foreign ownership is possible;
- Protection of foreign investments from direct or indirect expropriation or nationalization measures, except for special cases defined by law in the interest of public use.
- Right of foreign investors to expatriate all funds and contributions of their investment, in kind;

- Granting of most favorable treatment to investors in accordance with international agreements to which Albania is a party;
- Judicial protection of foreign investors with respect to the legal rights related to their investments. Foreign investors may bring disputes before an Albanian court, or refer the case to arbitration.

The foreign investment law amendment of 2010 granted a positive discrimination to foreign investors. Accordingly, the Decision of the Council of Ministers, provides for the substitution of the foreign investor by the Albanian state in a civil dispute with third private parties, in the event when, because of court disputes with such parties, is judicially burdened the implementation of the foreign investment or the exercise of the economic activity deriving or related to it. Such special state protection may also include the taking over, by the Albanian state, of the obligations imposed by the Albanian court on the foreign investor, for the benefit of the other party.

Law on Strategic Investments

The New Law on Strategic Investments aims to promote and attract of strategic investments, both domestic and foreign, in those sectors of the economy identified as strategic sectors by this law through special, facilitating or accelerating administrative procedures.

The law aims to boost foreign investments and will be in force until December 2018, which means that during this period foreign and Albanian investors will profit by accelerated procedures and supporting incentives.

AIDA is the responsible administrative structure for providing services to investors in a “unique window”. AIDA performs the role of the assisting agent and will follow all the administrative procedures till the realization of the investment project.

The law foresees as strategic investments the private, the public or public-private investments, in the following sectors:

- Energy and minings,
- Transport, telecommunications, infrastructure and urban waste
- Tourism,
- Agriculture and fishery
- Economic zones and Priority Development Areas that have impact on the Albanian economy.



Investments in Real Estate

Restrictions on the acquisition of property

Law No. 8743 "On State property", dated 22 February 2001 makes a distinction between state and public property - the latter includes property owned by the state which is functional and indivisible from the state itself and considered of public interest (parks, rivers, lakes, etc). Currently foreign investors can acquire real estate property in Albania in these conditions:

- No restrictions on the acquisition of the residential units (i.e. Apartments, offices, etc.);
- Not entitle to obtain ownership title over agricultural land, woodland, pasture and meadow, but only entitle to lease such type of real estate for a period up to 99 years;
- Entitle to purchase private or state-owned constructible land plot on condition that the investment built over the land plot exceeds at least three times the value of such land plot.

Lease of real estate property

Foreigners can freely lease real estate property, in accordance with the relevant provisions of the Civil Code and sectoral legislation. The Albanian Civil Code provides for no minimum period requirement for rental or lease agreement (s) but the maximum period is 30 years unless otherwise provided by specific laws.

Registration of Real Estate in Albania

Based on Law no. 33/2012 "On Registration of Real Estate" the ownership right and other real rights on land and buildings should be registered with the related register. These registers are open to the public and contains all the data of the real estate .

Tax of Real Estate

Transfers of real estate are subject to a transfer tax that is payable by the seller. The rate/amount of the tax depends on the type of the real estate and its loca-

tion. The transfer fee of buildings is calculated based on the area of the property that is transferred.

The transfer tax is to be paid prior to registration of the real estate with the Registry;

The transfer of real estate is exempt from VAT;

The tax payable by the seller who is a physical person is the tax on the income gained from the disposal of the real estate and consists of 15% of the capital gained (difference between the sale price and the purchase price of the former); The tax on the income gained from a real estate transfer by legal entities is calculated jointly with the tax on the overall income generated by that entity during the respective fiscal year.

Legal Proceeding

An entrepreneur may decide to stop doing business for a number of different reasons:

Transfer of business

Albania's Civil Code governs business transfers and offers the legal basis for common forms of business transfer:

- Acquisition;
- Sale;
- Gift;
- Inheritance.

Transferring of business name and liability

According to Article 5 of the law on Entrepreneurs and Commercial Companies, the transferee may continue to use the registered name and other distinctive signs of the activity provided that the transferor or his or her inheritors approve of such use. In such an event, the transferee inherits all commercial liabilities of the transferor.

Safeguarding employees rights

The Labor Code ensures that employee's rights continue to be safeguarded in the case of transfers of undertakings.

The rights and obligations arising from the contract of employment on the date of a transfer are transferred to the transferee.

Winding up

Law on Entrepreneurs and Commercial Companies establishes the dissolution of companies in the following cases:

- Expiry of the term for which it was constituted;
- Decision of its members/general assembly;
- Start of bankruptcy proceedings;
- Court decision (compulsory liquidation);
- Failure to carry out any commercial activity for two years and to notify the suspension of activity to the national registration center;

Bankruptcy

The aim of the insolvency proceeding is the settling, in a collective manner, of the debtor's obligations through liquidating all his or her assets and distributing all his or her revenues or, in the event of a reorganization plan, through reaching of another agreement, aimed at preserving the activity.

The insolvency proceedings may only be opened by means of an application by the debtor or his or her creditors. Tax authorities may also submit an insolvency application against a legal person.

When submitting an application, a creditor must demonstrate that he/she has a legitimate interest for the opening of the insolvency proceedings, while the court must find the grounds sufficient and convincing. Grounds for opening insolvency proceedings are:

- Inability to make payment; and/or
- Over-indebtedness.

Participants in the proceedings

The court is responsible for the procedural course of the insolvency proceedings. It has special powers and duties at the opening stage of the proceedings.

The court decides, inter alia, about:

The opening the proceedings;

The interim security measures;

The appointment of an insolvency administrator.

Winding up proceedings

If no reorganization plan is submitted, the insolvency assets are realized by the insolvency administrator. The proceeds are distributed by the insolvency administrator in accordance with a distribution list, containing all insolvency claims to be taken into account in the distribution.

Closure of the proceedings

After the final distribution has been carried out, the insolvency proceedings are officially closed, and the decision is made publicly known. The creditors can assert their remaining claims against the debtor without restriction.



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