

SETTING UP BUSINESS IN ALBANIA



General Aspects

The Republic of Albania is situated in the Southwestern region of the Balkan Peninsula, with total surface of 28,748 km². Its capital and largest city is Tirana. Albania is mountainous but flat along its coastline with the Adriatic Sea with mild temperate -cool, wet winters; dry, hot summers. Bordering Greece and Montenegro this beautiful unspoiled country was long forgotten by its dark past but it is now considered as the last emerging market in Europe.

Albania is sharing the same coastline as Croatia and Montenegro but with much warmer weather, more sunny days and more than 200 miles of sandy unspoiled beaches, Albania is the paradise to be discovered for tourism or investment.

Albania has coastline on the Adriatic Sea and the Ionian Sea.

Legal Forms of Business Entities

Legal form	Feature	Remarks
Entrepreneur	<p>An entrepreneur is a natural person whose independent economic activities require an ordinary business organization.</p> <p>A natural person pursuing an independent profession (as lawyer, notary, accountant, physician, engineer, architect, artist, etc.) shall be regarded as entrepreneur if so provided by special laws.</p>	<p>An entrepreneur shall be registered in accordance with the law that regulates business entities, thus by Commercial Companies Law.</p> <p>An entrepreneur must apply for registration as a physical person under Art. 28 (1) and 30 of Law No. 9723 on the National Registration Centre. In case an entrepreneur has created a website, all data reported to the National Registration Centre shall be placed on this website.</p>
General partnership (shoqeri kolektive-shk)	<p>A company is a general partnership if it is registered as such, conducts its business under a common name and the liability of partners towards creditors is unlimited.</p> <p>Initial contribution of partners may be in cash or in kind (property rights, labor and services). Partners' contributions shall be equal.</p>	<p>The partners in a general partnership shall evaluate any contribution in kind by mutual agreement and express its value in money. During the fulfillment of their obligations, partners shall be liable to the general partnership for any damage caused deliberately or through gross negligence.</p>

**Limited partnership
(Shoqeri Komandite-
SHKM)**

A partnership is a limited partnership, if at least one partner's liability is limited to the amount of his interest (limited partner), while the liability of other partners is not limited (general partners). General partners have the status of partners in a general partnership. The limited partner shall bear losses only up to the amount of his part of the capital and to the amount of any outstanding contribution.

In partnerships, liquidation shall be carried out by all partners or by an unanimously nominated liquidator. Where a partner has more than one heir, a joint representative shall be appointed. Should the partners fail to appoint a liquidator within 30 days after dissolution, any interested person may request the competent court to appoint a liquidator.

Unless this part of the law provides otherwise, provisions on general partnerships also apply to limited partnerships.

One or more general partners shall manage the business of the limited partnership as Managing Directors. Limited partners are excluded from management.

Joint Stock Company ("Shoqeri aksionere-Sh.A")

A Joint Stock Company is a company the basic capital of which is divided into shares and subscribed by founders. Founders are natural or juridical persons, which are not liable for the company's commitments and which bear losses only to the extent of their shares in the basic capital.

Joint Stock Companies may be companies with public or with private offer according to Article 27 of Law No. "On Securities".

The basic capital of a Joint Stock Company with private offer shall not be less than 3.500.000 Lek. The basic capital of a Joint Stock Company with public offer shall not be less than 10.000.000 Lek.

The overall value of issued shares may not be less than the basic capital. Therefore, shares may not be issued at below their par value.

Organs of Joint Stock Companies are the General Meeting and depending on the provisions of the By-Laws, either a Board of Directors as single administrative organ combining management and supervision (one-tier system), or Supervisory Board and Managing Directors distributing administrative functions between these 2 organs (two-tier system).

In this case, the Managing Directors may be elected and dismissed by the General Meeting or by the Supervisory Board as provided by the Statute.

In the two-tier system of administration, the Managing Directors lead the company and decide on the manner of implementation of the business policy while the Supervisory Board assesses the policy implementation and controls its compliance with the law and the Statute.

In limited liability and joint stock companies, liquidation shall be carried out by a liquidator appointed by the General Meeting. If the General Meeting fails to appoint a liquidator within 30 days after the dissolution, any interested person may request the court to appoint the liquidator.

List of docs:

1. Memorandum of Association.
2. Articles of Association.
3. Place of residence, citizenship and occupation of members of the Board of Directors and statements on the acceptance of the position.
4. Name of Executive Director, Secretary and Auditor.

A company may be restructured by merging with another company (merger), dividing into two or more companies (division) and changing its legal form (transformation). Partnerships may not restructure by merger or division with limited liability or joint stock companies. Such restructuring is only available after transformation into a limited liability or a joint stock company.

A company may change its legal form by transformation as follows:

1. Limited liability companies may transform into joint stock companies and vice versa.
2. A joint stock company with private offering becomes a joint stock company with public offering and vice versa, if it complies with requirements of the present Law, Law No. 9723 "On the National Registration Centre" and the Law No. "On Securities".

Limited Liability Company (Shoqeri me pergjegjesi te kufizuar-shpk)

A limited liability company is a company founded by natural or juridical persons who are not liable for the company's commitments and which personally bear losses only to the extent of any unpaid parts of stipulated contributions. Members' contributions constitute the company's basic capital.

1. Each member shall acquire his share in the company in proportion to his contribution. The basic capital is divided between members accordingly.
2. Limited liability companies may not offer their shares to the public.
3. Legal relations between members may be freely designed in the Bylaws, unless this law provides otherwise. Documents needed for incorporation of LLC:

If the founder is a foreign company, the following documents are needed:

- Extract from the Foreign Commercial Register for the founder (including the official data of the founder: business name, registration number, registered seat, authorized representatives, shareholders, no of shares respectively owned) certified by a public notary and provided with Apostille;
- Articles of Association;
- Certificate that the company is in good standing.

If a founder is a physical person:

- Copy of passport-certified by public notary

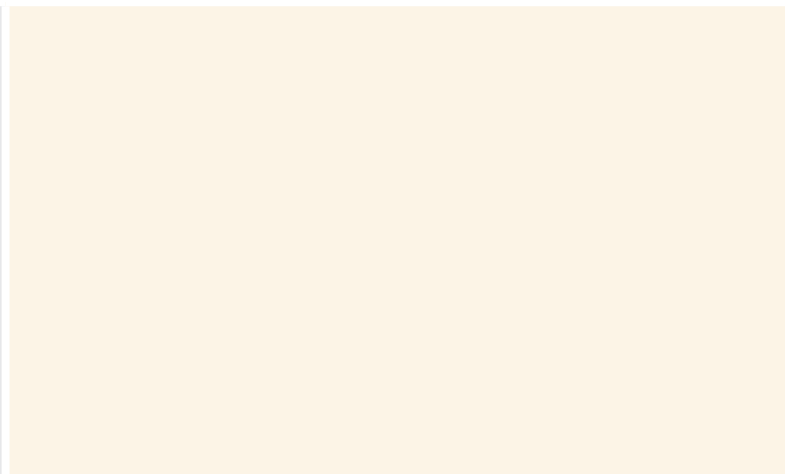
All documents that are made in foreign language must be translated by a certified translator.

Minimum capital for Shpk (LLC) is 1 EUR and is to be paid at the NRC.

If a share belongs to several persons, these persons shall be regarded as one member in relation to the company and they shall exercise their rights through a common representative. They are however, jointly and severally liable for the commitment of membership.

It is advisable to check in advance the availability of the Company's name near the NBC (QKB). There is a possibility to reserve a name.

Foreign Company Branch	<p>A "foreign company branch" is a branch of a company established and registered according to a foreign jurisdiction, that conducts a business operation within the Territory of Albania.</p> <p>Foreign companies are obligated to submit to NRC within 30 days from the day of incorporation of its branch in Albania the following:</p> <ol style="list-style-type: none"> 1. address of the branch 2. activities of the branch 3. the name and legal form of the company. 4. certified/apostilled copy of their Company Bylaws 5. certificate of incorporation of foreign company 6. names of authorized persons with residence in Albania 7. financial statements or similar financial document from the previous year 8. certificate for the company good standing
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Organizational Questions

Topic	Feature
Commercial Register	<p>Registration of a company in Albania is carried out at the National Business Center (Qendra Kombetare e Biznesit). NBC sends all data of the newly registered company to the Tax/Municipality Authorities.</p> <p>Registration with the Customs Office is optional, depending on the company's activities (i.e. an import/export Company would be required to register).</p>
Bank Account	<p>Documents required for obtaining bank account:</p> <ol style="list-style-type: none"> 1. Certificate of the company from NRC 2. Copy of passport of Executive Director/ Managing Director and authorized persons of the company 3. Signature specimen for Executive Director 4. POA for the authorized person 5. Company bylaws (company statute & incorporation act) 6. Certificate of the Beneficial Owners of the company 7. Good Standing Certificate of the Company owners.

Transfer of Capital	Free flow of capital is allowed in Albania.
Visa and Residence permit	<p>If a foreigner stays in the Albanian territory more than 90 days during a 180 days period, then he/she must apply for a residence permit.</p> <p>Documentation needed for a residence permit:</p> <ol style="list-style-type: none">1. Request at the Territory and Emigration Police Station, where the foreigner is living at the moment of application;2. Application form filled out, along with copy of passport. Passport must be valid for at least 3 months after the period of the residence permit.<ul style="list-style-type: none">• Criminal records issued by country of origin, apostilled, which should be translated in Albanian, notarized.• Lease contract for the flat where the foreigner will stay.• Six photographs, the same format as of passports.• Employment contract or if self-employed - copy of the registration certificate issued by NR.• A photocopy of work permit or license of exercising the respective activity.• Health certificate, according to definition of Albanian Ministry of Health <p>The procedure of obtaining a residence permit lasts approx. one month.</p>



Employment

Topic	Feature
Work permit	<p>EU and USA citizens don't need to apply for Work Permit. They have same rights of employment market as Albanian citizens. However, EU and USA citizens have to apply to the Labor Office to get the Certificate of exemption from Work Permit.</p> <p>Citizens of other nationalities are obliged to apply for a work permit.</p> <p>Documents to obtain work permit: The Request Form of the foreigner, along with personal data, according to the format to be obtained from respective authority Court decision for registration as a legal entity of the employer or extract of registration near NBC of the company, where the foreigner is to be employed. The employer must be a legal entity registered in Albania. Original copy of employment contract(to be translated in Albanian, and certified by a public notary) Copy of passport Five photos Job vacancy advertisement submitted to Labor Office.</p> <p>The first work permit is issued for one-year period. A request for renewal is submitted 30 days from the day of expiring the initial working permit.</p> <p>The authorized institution for issuance of work permits/certificate of exemption is the Albanian Labor office.</p>
Labour law	<p>In Albania, it is the Labor Code that regulates employment terms.</p> <p>28 calendar days of paid holidays/year, depending on employee's working period.</p> <p>Normal working hours are 40 hours. Statutory limits on working time are part of extensive health and safety regulations. The notice period for termination of employment depends on seniority of the employee, but minimum period is 1 month. Special provisions at the Labor Code forecast and regulate working relations between employer and employee.</p>

Social system	<p>The base for social and health insurance calculation is the gross salary. The calculation of social insurance contributions is on a maximum and minimum limit. The max limit is ALL 97,030 ALL. The min limit is ALL 22,000. For the calculation of the health insurance contributions there is only a minimum limit, no maximum limit applied. Minimum salary: ALL 22,000.</p> <p>Health insurance rates: Employer: 1.7 % Employee: 1.7 %</p> <p>Social insurance rates: Employer: 15 % Employee: 9.5 %</p>	<p>Employer is obligated to calculate and pay on behalf of the employee the social and health insurance contributions to the General Directorate of Taxes. The calculations and payments are prepared on a monthly basis, within the 20th day of the following month. If not paid in due time, the employer will be subject to a penalty for the non-submission in time of the declaration at a flat fee of 10.000 ALL + the calculated interest over the unpaid amount.</p>
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Taxation

Topic	Feature	Remarks								
Corporate Income Tax	<p>Resident legal entities are taxed on their worldwide income. Non-resident legal entities are taxed only on the income realized in Albania.</p> <p>Companies are taxed on profit at the rates as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Annual Turnover</th> <th style="text-align: left;">Tax rate</th> </tr> </thead> <tbody> <tr> <td>ALL 0 - ALL 5 mil</td> <td>0%</td> </tr> <tr> <td>ALL 5 mil -ALL 8 mil</td> <td>5%</td> </tr> <tr> <td>Over ALL 8 mil (ap- prox. EUR 58,400)</td> <td>15%</td> </tr> </tbody> </table>	Annual Turnover	Tax rate	ALL 0 - ALL 5 mil	0%	ALL 5 mil -ALL 8 mil	5%	Over ALL 8 mil (ap- prox. EUR 58,400)	15%	<p>Taxable profit is determined by adjusting the taxpayer's profit shown in the income statement according to the accounting regulations and adjusting it the manner required by the tax law.</p>
Annual Turnover	Tax rate									
ALL 0 - ALL 5 mil	0%									
ALL 5 mil -ALL 8 mil	5%									
Over ALL 8 mil (ap- prox. EUR 58,400)	15%									

Personal Income Tax	<p>Resident and nonresident individuals who generate incomes in the Republic of Albania are obliged to pay Personal Income Tax. Tax Resident individuals are subject of Personal Income Tax on their worldwide incomes.</p> <ul style="list-style-type: none"> • Incomes that are subject to PIT are: • Personal earnings • Private sector activities • Property earnings and property rights • Capital gains • Interests • Loyalties • Gambling 	<p>Resident individuals who generate incomes in the Republic of Albania and abroad, and non residents who generate income from sources in Albania at the level of more than ALL 2 Million must submit the Individual Annual Return Statement by the end of April of the following year.</p>
Value Added Tax (VAT)	<p>Subject to VAT payment is:</p> <ul style="list-style-type: none"> • Every physical person or legal entity, which exceeds an annual turnover of ALL 5,000,000; • Every physical person or legal entity which imports goods independently from the annual turnover • Every freelancer independently from the annual turnover <p>VAT rates:</p> <ul style="list-style-type: none"> • 0% for exports and international transport • 20% for all the other VAT taxable goods and services 	<p>Exempted services:</p> <ul style="list-style-type: none"> • postage services • medical services, medicines, all related medical equipments • social services • education • financial services • insurance services • buildings and rent of buildings • services from printing house • services related exploration phase of hydrocarbon operations • lotteries and other gambling games • Insurance services

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