

Albania is a country in south-eastern Europe on the Adriatic and Ionian Sea in the Mediterranean Sea. It shares land borders with Montenegro to the northwest, Kosovo to the northeast, North Macedonia to the east, Greece to the south and a maritime border with Italy to the west.



The country is a member of the United Nations, the World Bank, UNESCO, NATO, WTO, COE, OSCE and OIC.

It is also an official candidate for EU membership.

### The macroeconomic situation in Albania.

A small country but with many business opportunities as it is a developing country and a candidate to become a member of the EU, which gives credibility to investors.

**Economic growth:** Albania is one of the countries of the European continent in constant and continuous growth. The Government is continuing to pursue increasing integration into the Euro-Atlantic community.

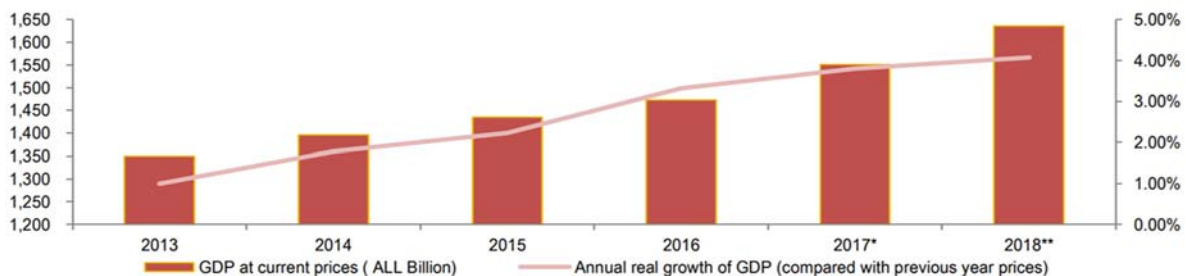
In June 2006, Albania signed the Association and Stabilisation Agreement with the European Union, which was the first step towards EU membership.

The Albanian Government has also concluded free trade agreements for the free access of Albanian products to the main markets of the European Union and has also opened the country to imports.

Despite the general global economic slowdown, Albania has been able to maintain good macroeconomic stability with growth in its activities and investments.

Albanian GDP growth in previous years was over 5%, slowed down from 2009 with the worsening of the global crisis.

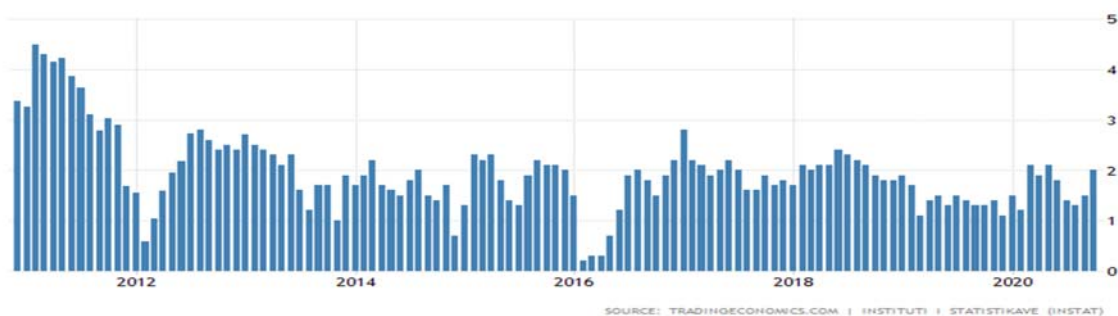
#### GDP and real growth rate, 2013-2018



COVID 19 did not spare Albania either, this year GDP is expected to contract by 6.5%, while for 2021 and the following years it is expected to grow by 5% on annual basis.

**Monetary policy and inflation:** Albania pursues stimulating monetary policies aimed at maintaining low interest rates and promoting credit growth in the economy,

### The inflation rate, 2012-2020



The banking system is increasingly characterised by the presence of foreign banks, which account for about 90% of total assets. This has led to greater competition and better availability of banking services.

**Foreign direct investments:** In order to increase foreign direct investment, the Albanian Government has intensified its efforts to implement a series of fiscal and legislative reforms to improve the so-called "business climate" in the country.

These changes, together with the signing of the Stabilisation and Association Agreement with the EU and NATO membership, contribute to the growth of foreign direct investment in Albania.

In recent years, investor interest has increased in a wide range of sectors such as: agriculture, manufacturing, energy production, cement production, mining, oil and industrial parks.

EU-owned companies invested 45.5% of total investments made by foreign companies in 2018, the majority is invested by Italy (14.0%).

Other countries that have invested in Albania, the People's Republic of China (17.4%) and Turkey (10.4%) dominate in the value of investments made in 2018, while Kosovo (3.6%) dominates for the Western Balkan countries.

### Foreign direct investments and personal remittances in Albania



**Doing business:** business costs in Albania are competitive, both in terms of labour and general costs, with particular reference to the labour force present in the country, which is generally young and recognised to be very qualified, motivated and with language skills which is very important for those who decide to invest.

**Company incorporation:** in Albania, it takes only one day and it is not necessary to have a notary and the costs of incorporation are around 49, 464.00 Leke (equivalent to about 400.00 €).

## The tax system of Albania

**The tax system for legal persons:** another strong factor in Albania is undoubtedly its fiscal system, the following is an overview of taxation:

### Profit tax

1. 5% of the pre-tax result of the year for all entities with a turnover up to ALL 14 million (equivalent to approximately €114,000);
2. 15% of the pre-tax result for the year for all other entities with a turnover exceeding ALL 14 million (equivalent to approximately €114,000);

#### Simplified profit tax

Small enterprises with a turnover from ALL 5 million up to ALL 8 million (equivalent to approximately Euro 40,000 up to Euro 65,000) the simplified tax rate on profit is 5%; while subjects with a turnover from zero up to ALL 5 million (equivalent to approximately 40,000 Euro) are no longer subject to the simplified profit tax, the rate is zero.

#### Dividends

taxed at 8%.

#### Other incomes

All other income taxed at 15%.

#### VAT

20% (6% for hotel activities, agritourism, advertising, public transport, publishing).

**The tax system for individuals:** taxpayers who are individuals resident in Albania, and who have income in Albania and abroad, amounting to more than ALL 2 million (equivalent to approximately Euro 16,000) are obliged to submit their annual tax return to the Revenue Agency within 30 April of the following year.

The law provides for progressive taxation on the basis of the following rates for wages, salaries, and other benefits arising from employment relationships, Income from work on a monthly basis:

1. 0 –30,000 ALL taxation 0%;
2. 30.001 - 150.000 ALL taxed at 13%;
3. Above 150.001 taxed at 23%.

#### **Deficit**

Year	2015	2016	2017	2018	2019
Deficit (% on GDP)	-4.1	-1.8	-2.0	-1.6	-1.9

#### **The labour market**

Relations between employee and employer are regulated by individual employment contracts in accordance with Law 7961 of 12 July 1995 "Labor Code", which has been partly approximated to the main EU directives. Albania adheres to all the main conventions of the International Labor Organization that protect employers' rights.

#### The unemployment rate in Albania

Year	2015	2016	2017	2018	2019
Unemployment rate	17.3%	14.2%	13.4%	12.3%	11.2%

**Working time:** The daily working time may not exceed eight hours. For employees under 18 years of age, daily working time may not exceed six hours. In addition, the normal weekly working time is forty hours. Both the employer and the employee may agree on a probationary period, which may not exceed three months. A probationary period cannot be established in cases where the parties have already made an agreement for the same work. During the probationary period, either party may terminate the contract by giving five days' prior written notice.

**Labour costs:** The average gross monthly wage in Albania is around 427 euros, therefore very competitive at a global level. Average gross wages range from 513 euros per month for state employees to just over 388 euros for private-sector employees. The average gross salary per manager is around 800 - 1,000 euros per month. As this is the level of wages, investors can make significant savings on labor costs compared to other areas of Eastern Europe. Staff in the service sector at Albanian companies produce at good productivity rates and at low cost.