

LEGAL FRAMEWORK ON INVESTMENTS IN ALBANIA¹

LAW	CONTEXT	INCENTIVES/ADVANTAGES
<p>LAW NO. 7764 DATED 02.11.1993 “ON FOREIGN INVESTMENTS”</p>	<ul style="list-style-type: none"> • The law provides guarantees for all foreigners (natural or legal persons) who are willing to invest in Albania. The law allows 100% company ownership by foreigners. It guarantees specific protection for foreign investors. • FDIs are allowed and treated equally with domestic investments. Foreign investors are also allowed to purchase private residential properties. Foreign investors cannot purchase agricultural land, which can only be leased for up to 99 years, whereas other properties of commercial purpose can be purchased only if the investment has a value three times higher than the price of the land. • The state provides special protection to foreign investors and strategic investors. By providing special protected status, the state replaces the foreign investor or the strategic investor in court, proceedings with private third parties. 	<ol style="list-style-type: none"> 1. No prior authorization is needed for foreign investments. No sector restrictions apply; 2. There is no limit on the quota/share of foreign investors in a company (100% foreign ownership is possible); 3. Foreign investments may not be expropriated or nationalized directly or indirectly, with exception on special cases when this is in the interest of the public and in accordance with the law; 4. In principle, foreign investors have the right to transfer abroad all assets and contributions in kind; 5. Foreign investors receive equal and unbiased treatment and have full protection in all cases; 6. In any case, foreign investments will be treated equally to what recognized international practices provide for; 7. Special state protection through replacement with full rights of foreign investors in legal and civil conflict with private third parties
<p>LAW NO. 55/2015 “ON STRATEGIC INVESTMENTS”</p>	<p>Strategic investments are foreseen by the law all private, the public or public-private investments in the following sectors:</p> <ul style="list-style-type: none"> • Energy and mining; • Transport, telecommunications, infrastructure 	<p align="center">A. Assisted procedure</p> <ul style="list-style-type: none"> • completion of preparatory actions, preparation of documents and administrative application in an expedited procedure by the assisting agent, including necessary accompanying documents, when they are

¹Source of Information AIDA

	<p>and urban waste;</p> <ul style="list-style-type: none"> • Tourism; • Agriculture and fisheries • TEDA (free economic zones) <p>Clear procedures for the investors to facilitate and expedite their administrative procedures. AIDA is the responsible structure for providing administrative services to investors in a “single window”. AIDA performs the role of the supporting agent – administrative procedures till the realization of the investment project, through one of the following procedures “assisted procedure” or “special procedure”.</p> <p>One of the main criteria in the selection of the investor/strategic investment is the investment value which based on the strategic sector varies from 1 Million Euro to 50 Million Euro, as well as the new job vacancies proposed to be opened by the investors. Evaluation criteria for the investments are detailed in Article 8 of the Law.</p>	<p>issued by a state administration body, following the request of another state administration body;</p> <ul style="list-style-type: none"> • priority handling of documentation preparation, provision of opinions or employment of procedures which are included in the area of activity of the state administration bodies, represented in the operational group, for the preparation and implementation of the strategic investment; • land consolidation; • supporting programs; • support with assistive infrastructure; • provision of access to state-owned immovable property for the purposes of developing and executing strategic investment projects. <p style="text-align: center;">B. Special procedure</p> <ul style="list-style-type: none"> • expropriation of private immovable assets to enable the development and execution of strategic investment projects; • approval by the Assembly, following assessment made by the Council of Ministers, of the relevant strategic investment contracts, upon the request of the strategic investor, in order to enhance the safety of the regulated judicial relationship between the investor and the Albanian state.
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INCENTIVES	ALBANIA
FISCAL	<p>VAT exempt on imports:</p> <ul style="list-style-type: none"> ○ NO VAT on Agricultural machines & equip., for inward processing regime& agri-business; ○ NO VAT on Machinery dedicated for investment ≥ 360,000 EUR ○ NO VAT on imported machinery intended for investments in the amount of at least 50 million ALL. ○ NO VAT on import of cement and steel used for the construction of hydropower plants. ○ NO VAT and NO EXCISE for the production and/or installation of solar panel systems. ○ VAT credit for fuel: companies whose main business activity is the production of bricks and tiles and the transport of goods are allowed to credit VAT on the purchase of fuel used wholly and exclusively for their business activities, up to the limit of a certain percentage of the companies' total annual turnover. <p>Taxes</p> <ul style="list-style-type: none"> ○ Foreign tax credit: Albania applies foreign tax credits rights even in case there is no double tax treaty in place with the country where the tax is paid. If a double taxation treaty is in force, double taxation is avoided either through an exemption or by granting tax credit up to the amount of the applicable Albanian corporate income tax rate (currently 15%). ○ Tax exemption on dividends designated for investments: dividends and profit share paid by a resident or non-resident company to a resident taxpayer will not be subject to corporate income tax for the resident taxpayer. <p>Customs</p> <p>exempt on import of raw materials and semi-finished materials to be processed and intended for re-export</p>
EMPLOYMENT SCHEMES	<p>DCM Nr.27 dated on 11.01.2012 on unemployed female jobseekers DCM Nr.48 dated on 16.01.2008 on disadvantaged jobseekers DCM Nr.47 dated on 16.01.2008 on job training DCM Nr.199 dated on 11.01.2011 on young unemployed jobseekers</p> <p>Targeted Categories</p> <ul style="list-style-type: none"> ○ Female Unemployed Jobseekers; ○ Low-income jobseekers; ○ Disadvantaged Unemployed Jobseekers; ○ Young Unemployed Jobseekers.

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	<p>Financial Incentive</p> <ul style="list-style-type: none"> ○ a monthly subsidy in the amount of up to 100 percent of the compulsory social and health insurance contributions of the employer, provided that the duration of the employment contract is not shorter than one year; ○ Subsidy of 4 salaries at 100 percent of the national minimum wage, in the fifth, sixth, eleventh and twelfth month of the contract. <p>Maximum number of beneficiaries</p> <ul style="list-style-type: none"> ○ Up to 100% of the average number of employees in the past 3 months for those companies with up to 50 employees; ○ Up to 50% of the average number of employees in the past 3 months for those companies with more than 50 employees;
TEDAs	<p><i>Law Nr. 9789, date on 19.07.2007, as amended with the law Nr. 54/2015</i></p> <p><i>Companies can get involved in two forms:</i></p> <ol style="list-style-type: none"> 1. <i>Developer</i> 2. <i>User</i> <p><u>Incentives</u></p> <ul style="list-style-type: none"> ● Exemption from VAT for Albanian goods entering TEDAs ● Exemption from VAT and customs duties for goods transported from one TEDA to another ● Capital expenses are 20% deductible during a period of 2 years if developers and users invest in TEDAs within three years of commencement of operation ● Developers and users shall be exempted from 50% of the profit tax rate for a period of 5 years ● Developer’s project shall be exempted from infrastructure taxes ● Exemption from real estate taxes for buildings inside TEDAs, for a period of 5 years ● Buildings transferred to the TEDA are not subject to the transfer tax on real estate ● Wages and social costs are 150% deductible for the first year, and new expenses for wages and social costs compared to the previous year are 150% deductible for subsequent years ● Training costs shall be doubly deductible for a period of 10 years <p>R&D costs are doubly deductible for a period of 10 years</p>
PUBLIC	1 Euro scheme

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PROPERTY/CONCESSIONS	<p data-bbox="520 233 1071 261"><i>DCM Nr. 54 dated on 05.02.2014, as amended</i></p> <p data-bbox="426 305 1898 370">The Government of Albania can lease public property of more than 500 m2, or grant a concession for the symbolic price of 1 euro if the properties will be used for:</p> <ul data-bbox="474 412 1598 672" style="list-style-type: none"> • industrial production (with investment level over €2.17 million); • manufacturing ("FASSON" type) with over 50 new jobs, • agribusiness activities with investment levels of over € 0.7 Million • activities in education and media, with investment value over €1.4 Million • activities in construction, maintenance and deconstruction of ships, with investment value over €3,57 Million
I. Sectorial incentives in Tourism	<ul data-bbox="474 716 1881 743" style="list-style-type: none"> ○ The investor might make use of the state immovable properties for up to 99 years and by virtue of Euro 1 contract; <p data-bbox="520 786 1955 922">Every real estate owned by the state or the local authority becomes a property under the administration of the Ministry of Tourism within two months after the area has been declared as “a priority area for the development of tourism”. The Ministry has the right to give this area to a private investor for investments purposes, by applying “Albanian 1 Euro” lease scheme for a period of 99 years.</p> <ul data-bbox="474 964 1955 1133" style="list-style-type: none"> ○ Financial support to tourism related projects through funds deriving from the annual approved budget fund. The projects exceeding the value of 50% of the annual fund foreseen for tourism projects are subject to approval by the Council of Ministers. ○ VAT 6% <p data-bbox="426 1198 909 1226">Tax incentives for companies in tourism</p> <p data-bbox="426 1247 1923 1414">Recently, the Albanian Parliament has approved changes in the Law on Tourism providing for the categories of investors which may be entitled to benefit from the tax incentives introduced in the main tax laws. Thus, in order to qualify as a four-star and five-star hotel holder of a special status, the investment value should be respectively at least EUR 8 million and EUR 15 million. Four-star and five-star hotels could be managed by a hotelier group which operates independently or through a franchise contract or any other similar contract. In order to obtain the special status, investors in four-star and five-star hotels should</p>

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	<p>fulfill certain conditions as stipulated in the specific Law on Tourism.</p> <p>Starting from 1 January 2018, all services offered by the above mentioned four-star and five-star hotels and holding a special status as well as being holders of a trade registered mark or brand of hotel as defined in the Law on Tourism are subject to a reduced VAT rate of 6%. Currently, any company offering services in tourism, regardless of the hotel rating, is allowed to apply the reduced rate of 6% only for accommodation services.</p> <p>In addition, four-star and five-star hotels are exempt from corporate income tax (CIT) for a period of 10 years provided they have met the criteria for obtaining the special status no later than December 2024. A decision of the Council of Ministers will determine the terms, conditions and procedures for implementing this provision.</p> <p>Four-star and five-star hotels holding the special status are exempt from tax on real estate and infrastructure tax.</p>