MEMO ON THE ESTABLISHMENT OF A BUSINESS AND TAXATION ISSUES IN ALBANIA.

A. ESTABLISHING A BUSINESS.

According to the Albanian legislation, a business activity, may be established and organized under the juridical form of:

1. A physical person.
2. A commercial company.

Commercial companies are divided into four groups:

a) General Partnership.
b) Limited Partnership.
c) Limited Liability Partnership.
d) Joint Stock Company.

Most of the businesses in Albania are established in the form of the “Limited Liability Company” or “Joint Stock Company”, whereas the “General Partnership” as well as “Limited Partnership” are practically inexistent. This is due mainly to the unlimited responsibilities of the shareholder of a “GP” and “LP” company.

➤ LIMITED LIABILITY COMPANY.

The Limited Liability Company (LLC) is founded by one or more partners (shareholders). The partner/s may be physical person/s and/or juridical ones. The shareholders obligation towards third parties is determined up to the value of the company’s capital.

The minimum initial capital, necessary for establishing the “LLC”, is 100 Albanian Lek (ALL), (approximately 1 EUR).

The initial capital must be deposited into a Bank Account or with a Notary Public.

Before coming operational, the “LLC” needs to be registered to the NRC. Besides the application form, some additional documents shall be deposited, which mainly consist in:

- The Establishment Act;
- The Statute;
- Power of Attorney if the application is not made by the administrator of the company;
- Identification data of the shareholder/s and administrator/s.
- Documents related with the shareholder/s organized as a juridical person (optional);

Normally the application procedure won’t take more than 30 minutes and the registration itself becomes valid within 24 hours from the application date. Anyway, according to the practice it may happen that the registration delays some days and this is due mainly to the amount of the documents that need to be verified by the NRC as well as the lawfulness of the information submitted.

A state fee of approximately 1 (one) Euro shall be paid for the registration.
**JOINT STOCK COMPANY.**

According to the Albanian Law, there are two legal forms of Joint Stock Company:

- **Joint Stock Companies without a public offer (i.e. not listed with the stock exchange or any other financial institution for the trade of shares)** – The minimum share capital is 3,500,000 Albanian Lek (approximately 25,000 EUR).

- **Joint-Stock Companies with a public offer (i.e. listed with the stock exchange or any other financial institution for the trade of shares)** – The minimum share capital is 10,000,000 Albanian Lek (approximately 71,500 EUR).

The shareholders (partners) are held responsible for losses only up to the limit of the value of their contribution to the company’s capital.

The other information is the same as in the case of “Limited Liabilities Companies”.

**Please Note.**

- *The registration with the NRC is in the same time a registration with the Tax Office, Social & Health Insurances Authorities and the Labour Inspectorate.*

- *If the company shall perform an activity which according to the Albanian legislation needs a special license, then the procedures for being provided with such a license need to be exhausted after the registration with NRC.*

- *All documents coming from abroad need to be executed before a notary public of the foreign country and then submitted to the competent state body (Albanian Embassy or Ministry of Foreign Affairs of the Country of Origin) for affixing of the relevant ”Apostille” stamp.*

**B. TAXATION**

1. **National, Tariffs, Taxes and Duties** include registration tariffs; income taxes; value added tax; excise tax; other taxes and fees; customs duties; social insurance taxes and tax treaties.

   a. **Registration tariffs of the company**, for all types of registration with National Registration Centre, is ALL 100 (one hundred), [1 EUR is approximately 140 ALL].

   b. **Income taxes**.

In this category it is included:

- *The personal income tax:*
- 0% (for gross monthly salaries up to 30,000 ALL);
- 13% (for gross monthly salaries from 30,000 ALL to 130,000 ALL. (The tax percentage is calculated for the difference above the 30,000 ALL level); and
- 23% for gross monthly salaries more than 130,000 ALL. (The tax percentage is calculated for the difference above the 130,000 ALL level);

- The corporation income tax (profit tax)
  Profits tax is levied at a general rate of 10%. Taxable period begins on January the 1st and ends on December 31st of every calendar year.

c. Value added tax (VAT)
  The rate of the value added tax (VAT) is 20%, except for the cases when zero per cent rate is applicable, as provided for in this law. The taxable period is a calendar month.

d. Excise tax
  Excise duties are levied on the domestic consumption of certain goods such as tobacco, cigarettes, beer, wine, cognac, whisky and all other alcoholic drinks, soft and fresh drinks, coffee, electric energy and petroleum and oil by-products, etc.

e. Other national taxes and fees
  Such taxes are the port tax, tax on import of used vehicles, fees on registration of gambling activities and casinos, mineral rent tax, fishing license fees, and some other minor taxes and fees.

f. Customs duties
  The customs duties are ad-valorem only. The rates of customs duties vary from 0% to 15%, which form the so-called “conventional or basic rates”.

g. Social insurance taxes
  The social and health security contributions are made at a rate of 27.9% of the total payroll (gross salary as explained above) as follows:
  - 16.7% by the employer; and
  - 11.2% by the employee.

h. Treaties for the avoidance of double taxation
  Albania has signed Conventions for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital with many countries, which have priority over Albanian domestic law.
2. **Local Taxes and Fees** include local tax on small businesses; property tax; hotel tax; new buildings or constructions tax; tax on alienation of immovable properties; motor vehicles tax; other local taxes and tariffs.

   a. **Small Businesses Tax.**

   Small business activities are subject of small business tax. Such activities are the ones whose annual turnover does not exceed ALL 8 million.

   b. **Property Tax.**

   Property tax includes the buildings tax and the land tax.

   c. **New buildings or Constructions Tax.**

   The tax base of the tax on the impact to infrastructure from new buildings or construction is the value of the new investment, and the tax rate is defined by the local government at a rate of 1-3% on the value of the investment. For Tirana and Durres municipalities this tax varies from 2-4%. The tax is to be paid by the investor at the time the building license is issued.

   d. **The tax on alienation of immovable properties.**

   The base of taxation for the buildings is the building area, whose property is being transferred. The tax level is appointed as ALL per unit, where the unit is 'square meter'. The tax level defers in different areas.

   The base tax for the immovable properties other than buildings is their selling value. The tax level is 2%.