

FOREIGN INVESTMENTS INCENTIVES

Law on "Foreign Investments":

The Law on "Foreign Investments" attempts to create a hospitable investment climate. The law provides the guarantees for protection to all foreigners (either physical or judicial persons) willing to invest in Albania, as follows:

- No prior government authorization is needed and no sector is closed to foreign investment;
- No limitation on the percentage share of foreign participation in companies. A 100% foreign ownership is possible;
- Foreign investors have the right to expatriate all funds and contributions in kind of their investment;
- Albania's tax system does not distinguish between foreign and domestic investors;
- Foreign investments may not be expropriated or nationalized directly or indirectly and they are not subject of any measure or similar action, except for public purposes determined by law.
- Foreign investments are treated in a non-discriminatory manner and paid immediately and in a fair and effective manner, in accordance with the law;
- Foreign investments enjoy equal and unbiased treatment as the domestic investments and have complete protection;
- There are no restrictions on the purchase of private residential property;
- There are limited exceptions to this liberal investment regime, most of which apply to the purchase of real estate:
 - Agricultural land cannot be purchased by foreigners and foreign entities, but may be rented for up to 99 years; and
 - Commercial property may be purchased, but only if the proposed investment is worth three times the price of the land.
- Investors in Albania are entitled to judicial protection of legal rights related to their investments. The Albanian Civil Procedure Code outlines provisions regarding domestic and international commercial arbitration. The ICSID Convention has entered into force for Albania since November 14, 1991.

Special state protection

Special state protection is not a legal right of the foreign investors; the decision to grant or refuse it is at the discretion of the Council of Ministers.

The foreign investor can submit a written and motivated request and supporting documents to the ministry that covers the field related to the investment. Within 30 days from receipt, the ministry have to evaluate and present the proposal for approval to the Council of Ministers, if the case.

The request for special state protection should be considered as refused if the approval is not made public within 45 days. There is no obligation to explain the refusal.

Entitled investments

The Council of Ministers may grant special state protection to investments performed in the following fields:

- public or private touristic infrastructures, such as energy or agriculture;
- concession agreements pursuant to law no. 9663 dated 18.12.2006 “On Concessions” as amended;
- provision of real property to a foreign investor as provided in the law “For strategic investments”
- new investment are not less than EUR 10 mil.

INVESTMENT INCENTIVES

The €1 symbolic fee contract

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:

- industrial production (with investment levels of over €2.17 million);
- manufacturing ("FASSON" type) with over 50 new job,
- 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

FINANCIAL INCENTIVES

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 percent).

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.

Exemption from corporate income tax of “Four and five stars hotels, with special status”

Accommodation facilities such as “**Four and five stars hotels, with special status**” and the holders of an internationally recognized and registered trademark (brand name) are exempted from corporate income tax for a period of 10 years starting from the commencement of activity, but no later than 3 years from the obtaining the special status. This exemption is granted for the “Four and five stars hotels, until December 2024.

Exemptions from tax of impact on infrastructure

Investments for construction of accommodation facilities “Five star hotels, with special status” and holders of an internationally recognized and registered trademark (brand name) are exempted from the tax of impact on infrastructure.

Exemptions from the tax of buildings

- residential buildings of heads of households, who benefit retirement or social pensions, who live in city or villages, when the family consists of only pensioners;
- residential buildings of heads of households, who are treated with economic aid;
- social houses owned by or used by municipalities for this purpose in mutual agreement with the respective owners;
- cultural buildings under the protection for cultural monuments and/or cultural inheritance in accordance with the legislation in force;
- accommodation facilities "Five stars hotels, with special status" as per the definition provided in the legislation on tourism, holders of an internationally recognized and registered trademark (brand name).

VAT exemption on import of machineries and equipment used in:

- Agro-processing
- Inward processing regime
- Investments over 360 000 Euro

Manufacturing sector obtains VAT refunds immediately.

Reduced VAT

All supplies of services performed within the new accommodation facilities such as "Five stars hotels/resorts, with special status" holders of an internationally recognized and registered trademark (brand name) are **subject to a reduced VAT rate of 6%**.

Reduced tax rate of buildings

The law has amended the taxable base and the tax rate on immovable properties, only for the category buildings:

- 0.05% for the buildings used/ exploited for habitation;
- 0.2% for the buildings used/exploited for business purposes;
- 30% of the respective tax rate for the entire construction site for which the builder has obtained a construction permit and has failed to complete the construction according to the deadline set in the approving act of the request for the construction permit.
- Companies that produce/develop software are subject to a reduced corporate income tax rate of 5% (instead of the 15% applicable until 31.12.2017).

Reduced corporate income tax

Companies that produce/develop software are subject to a reduced corporate income tax rate of 5% (instead of the 15% standard rate applicable until 31.12.2017).

EMPLOYMENT INCENTIVES

Targeted Categories

- Female Unemployed Jobseekers;
- Low-income jobseekers;
- Disadvantaged Unemployed Jobseekers;
- Young Unemployed Jobseekers

Financial Incentives

- a monthly subsidy 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;
- a subsidy of 4 salaries at 100 percent of the national minimum wage, in the fifth, sixth, eleventh and twelfth month of the contract.

Labor incentives

- 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;
- 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

INCENTIVES FOR TECHNOLOGIC AND ECONOMIC DEVELOPMENT AREAS (TEDA)

- Imported goods in TEDA are exempted from customs duties and VAT;
- Goods can be transported from one TEDA to another without paying custom duties or VAT;
- Imported goods in TEDA are exempted from import duties and VAT;
- Capital expenses are 20 % deductible during a period of 2 years if developers and users invest in TEDA within 3 years of its operation;
- Developers and users are exempted from 50% of the profit tax rate (currently at a rate of 15 %) for a period of 5 years;
- A developer's project is exempted from infrastructure taxes;
- Buildings in TEDA are exempted from real estate taxes 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 the subsequent years;
- Training costs are doubly deductible for a period of 10 years;
- Research and Development costs are doubly deductible for a period of 10 years.

Strategic investments

Support schemes:

- Land consolidation;
- Support to auxiliary infrastructures;
- Availability of immovable public property.

Administrative support:

- One stop shop
- Fast track procedures

Special procedures:

- Expropriation of private immovable property for purpose of developing and implementation of strategic investment projects;
- Parliamentary approval if deemed and of the Council of Ministers for the strategic investment contracts.