Registering a sole entrepreneurship in Albania

ROADMAP AND DOCUMENTS REQUIRED FOR FOREIGN INVESTORS

Agenda

- **Documents and procedures**
  - Initial documents required to start a business in Albania.
  - Mandatory data required to be shared during the application process
  - Roadmap for opening a business in Albania
  - Timeline of procedure and expected time requirements
- **Taxes and contributions**
  - Value-added tax (VAT)
  - Income tax for business (CIT)
  - Tax deducted on source (TDS)
  - Personnel taxes and contributions
- **Citizenship procedures**
  - Residence permit
- **Other information**
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- **Our services and offerings**

Documents and procedures

- Initial documents required to start a business in Albania.
- Mandatory data required to be shared during the application process
- Roadmap for opening a business in Albania
- Timeline of procedure and expected time requirements

Documents required for application

Registration data

- Identification documents of the person
- Address where the commercial activity will be undertaken
- Industry and commercial activity
- Signature of the entrepreneur
- Due to the form of the entity being a self-employeed, there is no need for subscribed equity

Representatives

- Identification document of the legal representative of the self-employeed

- Power of Attorney If the applicant is different from the legal representative.

Roadmap

- Roadmap for opening a business in Albania
- Timeline of procedure and expected time requirements

KEY TIMELINE GOAL

	Start	*Week 1*	*Week 2*
Set-up of documents			
Application and registration			
Post-registration procedures			

Registration timeline

Start

Gathering the necessary documents for application

Days 2-3

Registration of the business

Days 4-5

Procedures and declarations required post-successful application

After week

Other procedures required to fully operate as a business

Roadmap for opening a new business in Albania

Set-up initial documents (1-2 weeks)	*Registration of the business (1 week)*	*Post-registration procedures (2-3 days)*	*Registration of Tax Directorate (1-5 days)*	*Other procedures*
• Set-up of the legal details of the entity, and/or legal representative • Compilation of the main data of the entity	• Collection of the necessary documents and application through e-Albania portal or direct application on the offices of the National Business Center (“Qendra Kombetare e Biznesit” or “QKB”). • Usually it takes 2-5 days for approval, but please take in consideration delays due to administrative procedures in place. • Other business licenses may be required depending on the industry and type of service/product sold. • There are minor fees required to opening a business to be paid prior to the application process.	• Acquisition of the electronic certificate. • Registration to the respective Directorate of Municipal Taxes. • Registration in the e-Albania portal for the business (Official application for business procedures in Albania)	• Declaration of operating employees in the Tax Directorate. • Registration of bank accounts. • Declaration of rental/ownership contract to the Tax Directorate. • Acquisition of a fiscal declaration program, in compliance with the “Law on fiscalization”.	• Other procedures may be required depending on the industry and other business specifics

Taxes and contributions

- Value-added tax (VAT)
- Income tax for business (CIT)
- Tax deducted on source (TDS)
- Personnel taxes and contributions

Standard tax rates

20%	15%	23%	6.8%	ALL 14 mln
Value-added tax (VAT)	*Income tax (CIT)*	*Social contributions*	*Health contributions*	*Revenue band for CIT*

Personnel contributions and income taxes (1/3)

Employee Contributions

As a % of gross wage		%
Health Contributions	Employee	6.80%
Social Contributions	Employee	23.00%

Wage bands for social contributions

Description	ALL
Minimum w age	34,000
Maximum w age	149,954

Personal income tax rate

Rate band	Wage band	%
0-40,000 ALL	<40,000 ALL	0%
0-30,000 ALL	30,000-50,000 ALL	0%
30,000-50,000 ALL		6.5%
0-30,000 ALL	>50,000 ALL	0%
30,000-200,000 ALL		13%
>200,000 ALL		23%

Social and health insurance

- Social and health contributions in Albania are compiled by the enterprenuer or the appointed employee, with the employee share of the contributions deducted on the gross wage on a monthly basis.
- Social contributions amount to a total of 23% of total gross wage, deducted to up to a total of 149,954 ALL of gross wage per person. Employer carries most of the liability (15%), while the amount deducted for net wage purposes amounts to 9.5%. To be noted that the minimum wage for social contributions is equal to the minimum national wage, which effectively means that social contributions are calculated on total starting gross wage up to the maximum wage.
- Health contributions amount to a total of 6.8% of total gross wage and have no upper limit on the gross wage, and as such, are accounted as on total wage declared.
- Personal income tax is based on the gross wage, effectively functioning as a withholding tax for employees. The band rates as shown in the table at the right are based on current fiscal laws, which may be subject to change.

Personnel contributions and income taxes (2/3)

Personnel cost calculator - example

ALL in thousands	Gross wage	Contributions 23.0%	6.8%	PIT	Total cost
Personnel #1	34.0	7.8	2.3	-	10.1
Personnel #2	40.0	9.2	2.7	-	11.9
Personnel #3	90.0	20.7	6.1	7.8	26.8
Personnel #4	170.0	34.5	11.6	18.2	46.0
Total	**334.0**	**72.2**	**22.7**	**26.0**	**94.9**

Cost per self-employeed

- Total cost per self-employeed includes the social and health contribution (23% and 6.8% respectively). In comparison to the costs per employee (table below) Social contributions include approximately both the costs per employee and employer (23% for self-employee versus 24.5% for employees) whilst the health contributions are double the amount of emplyees (6.8% for self-employeed versus 3.4% for employee).
- The wage for the self-employeed serves only as a reference for PIT and social and health contributions, whilst the revenues from the business serve as the real income for the business, taxed on a basis of the annual income declaration for self-employeed with over 2.000.000 ALL of revenues.

Personnel cost calculator - example

ALL in thousands	Gross wage	Employeer 15.0%	1.70%	Total cost	Employee 9.5%	1.7%	PIT	Net wage
Personnel #1	35.0	5.3	0.6	40.8	3.3	0.6	-	31.1
Personnel #2	45.0	6.8	0.8	51.5	4.3	0.8	1.0	39.0
Personnel #3	90.0	13.5	1.5	97.2	8.6	1.5	7.8	72.1
Personnel #4	170.0	22.5	14.2	177.2	2.9	2.9	18.2	134.7
Total	**340.0**	**48.0**	**17.1**	**366.8**	**19.0**	**5.8**	**27.0**	**276.8**

- Total cost refers to the cost per employee to the entity and includes Gross wage and employer part of the contributions.
- Net wage for employee deducts only employee part of social and health contributions, as well as the personal income tax.

Cost per employee

- Self-employeed are also allowed to employ other people in their business, effectively functioning as a business. The table on the right illustrates an example of costs to be born by the business and the net wage to be paid to the employee based on the gross wage.
- Personal income tax is based on the gross wage per employee, payed by the employer and deducted from the gross wage of the employee, effectively functioning as a withholding tax for employees.

PersonnPersonnel contributions and income taxes (3/3)

Personnel income taxes

- Employees with annual revenues over ALL 2,000,000 from all sources have to declare their income to the Tax Authorities, including income from employment, dividends and other streams. The taxable income from employment is adjusted based on current tax rates, referring to the adjustment of untaxed income only such as dividends. The rate applied is 15%.

- The declaration is an obligation for both resident and non-resident individuals whom generate income over the abovementioned threshold.

- The annual declaration can be done automatically through the tax system, pre-filled with information available through the tax system.

Taxable income

Nr.	Description
1	Gross income from salary or bonuses from employment relationships
2	Gross dividend income
3	Gross rental income
4	Capital gain from the sale of real property owned by the declarant
5	Gross income from bank interest
6	Capital gain generated from investments in securities or real estate
7	Gross sums won from lotteries or other games of chance.
8	Gross income from intellectual property, licenses, exclusive rights and other assets, consisting only of rights and having no physical form.
9	Capital gain from donation.
10	Gross income realized outside the territory of the Republic of Albania.

VAT, CIT and TDS rates

VAT

Category	%
Standart rate	20%
Advertising by audiovisual media	6%
Supply of public transport vehicles with electric motor 9+1	6%
Supply of Books	6%
Public and private investment in sports clubs	0%
Agrotourism	6%
Agricultural inputs	6%
Accomodation on hotels/resorts (5 stars)	5%

Tax Deducted on Source

Category	%
Dividends	8%
Appropriation of profit	8%
Interests	15%
Payments for copyrights and royalties	15%
Payments for insurance, technical, management and financial services	15%
Payment for participation in the management and board of directors	15%
Payment for the construction, installation, fitting or supervising	15%
Rental payments	15%
Payments for performers (actors, musicians etc.)	15%
The amount of income from gambling and casinos.	15%
Payments for the transfer of ownership through sale	15%
Payments for the transfer of ownership through inheritance or donation	15%

Income tax rate

Description	%
Total Revenue 0-14.000.000 ALL	0%
Total Revenue > 14.000.000 ALL	15%
Agricultural marketing cooperatives	5%
Agrotourism	5%
Companies that produce/develop Software	5%

Tax rate

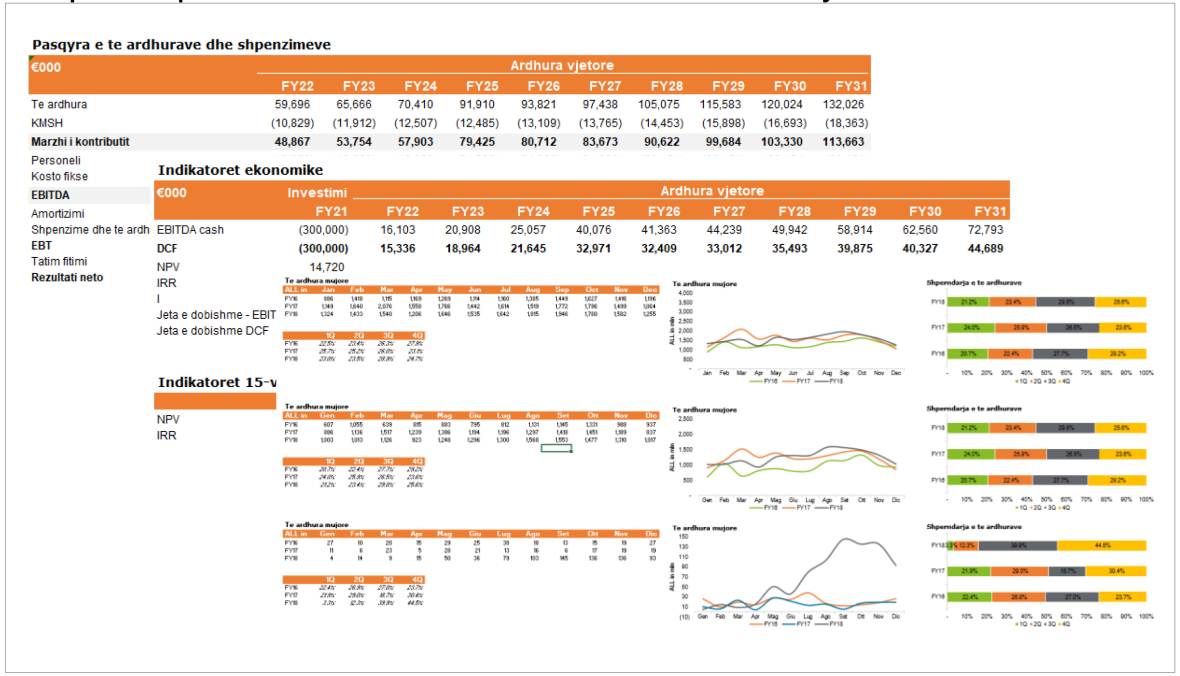
- Current VAT threshold is equal to ALL 10,000,000, but entities may opt to be directly recognised for VAT purposes.
- Net profit of the entity are fully taxed for 15%, with the band serving as a threshold for the entities to be taxed, rather than a band rate for income tax purposes.

Note:
The rates show in the tables above are conform the laws as of August 2022, but may be subject to change.

Main tax deadlines

Description	Declaration	
	Deadline	Periodicity
Monthly sales and acquisitions transactions	10th of each month	Monthly
VAT declarations	15th of each month	Monthly
Mineral rent declaration	15th of each month	Monthly
Declaration of income from gambling and casinos	15th of each month	Monthly
Declaration of national taxes	15th of each month	Monthly
Social and health contributions	20th of each month	Monthly
Tax deducted on source (Withholding tax)	20th of each month	Monthly
Prepayment of Income tax (1)	End of quarter	Quarterly
Annual income tax declaration	31 March	Annual
Deposit of Financial Statements to the Tax Authorities	31 March	Annual
Annual personal income tax declaration (2)	30 April	Annual
Declaration of Financial Statements to NBC	30 June	Annual

Example of output of Financial statements and Financial statement analysis



Notes:

- Tax declaration deadline refers to both the declaration deadline and payment deadline. Late payment fines are accrued for the failure of declaration within the deadline, with fees varying between 50-200 Euros depending on the type of declaration. The failure to pay in time only accrues interest penalties for the period between payment deadline up to payment day, except for income tax prepayment, which also accrues late payment penalty.
- Prepayment of income tax can be payed both monthly and quarterly, with the deadline on a monthly basis being the 15th of each month.
- Annual personal income tax declaration was due on the 5th May 2022 for the 2021 period. This change was due to issues in the tax system, not expected to continue during the future periods.

Taxes and contributions

- Residence permit in Albania

Residence permit in Albania

Residence permit

- An expatriate can work in Albania after being issued with a work permit. An expatriate must also apply for a residence permit if his/her stay in Albania exceeds 90 days within a 180 day period.

- In this section you will find a short description about main immigration issues for to come and work in Albania, with focus on work permit and residence permits. It is not intended to be a used as a comprehensive or exhaustive guide but rather, as a short guide on the procedures.

- When employing a foreign employee, the employer must notify the Labour Office and the Directory of Borders and Immigration within 8 days from the commencement of the employment relationship. There are several types of work permit that foreign employees can apply for, depending on the purpose of their work in Albania. These consist of:

  i. Work permits of type “A” - Economic activities as an employee;
  ii. Work permits of type “B” - Independent economic activities;
  iii. Work permit of type “C” - Special occasions;
  iv. Work permit of type “D” - Foreigners eligible for a permanent work permit.

- Term of a residence permit Residence permits can be granted for the following terms:
  - Three and six months
  - One, two and five years
  - Permanent

Residence permit in Albania

- The application for a work permit is filed online, in E-albania. The following documents are needed:
    i. Original documents;
    ii. Two photos in passport format;
    iii. Payment order of the service tariff;
    iv. Signed application form with an attached photo.

- The work permit is issued within 30 days from the submission of the required documentation by the applicant.. An initial work permit can be granted for a maximum period of 1-5 years, depending on the type of permit, subject to renewal. The request for renewal is submitted at least 30 days before the expiration of the existing permit. The competent authority issues the renewed permit within 30 days from submission of the complete application and fulfilment of the conditions for renewal.

- Citizens of the European Union and the Schengen Area are exempted from the obligation to obtain a work permit during their work in Albania. However, this category of expatriates is required to obtain the “Exemption from Work Permit”, which is a document released by the Labour Office after submission of the complete documentation. A procedure similar to the one for obtaining the work permit is applied.

- A three-month, six-month, or one-year permit can be renewed only five consecutive times. A foreign individual can apply for a permanent residence permit if he/she has had a legal stay for five consecutive years in the Republic of Albania and he/she continues to have a connection or activity in Albania. Timeframe for issuance of the residence permit.

Other information

- Double-treaty agreements
- List of main public institutions

List of countries with double-treaty agreements (1/2)

International double-treaty agreements

Nr.	State	Ratified by law		Official notebook		Effective	
		Nr.	Date	Nr.	Date	Page	Date
1	Poland	7783	26/01/1994	1	28/02/1994	11	01/01/1995
2	Romania	7857	26/01/1994	15	10/11/1994	683	01/01/1995
3	Malaysia	7822	11/05/1994	6	23/06/1994	337	01/01/1995
4	Hungary	7686	15/03/1993	4	09/04/1993	262	01/01/1996
5	Turkey	7858	21/09/1994	15	10/11/1994	684	01/01/1997
6	Czech Republic	7999	21/09/1994	21	10/10/1995	921	01/01/1997
7	Russia	7950	21/06/1995	15	17/07/1995	618	01/01/1998
8	Macedonia	8305	12/03/1998	7	04/04/1998	261	01/01/1999
9	Croatia	7937	24/05/1995	12	16/06/1995	501	01/01/1999
10	Italy	7934	17/05/1995	498	16/06/1995	12	01/01/2000
11	Bulgaria	8447	25/01/1999	7	12/03/1999	203	01/01/2000
12	Sweden	8357	03/06/1998	14	23/06/1998	499	01/01/2000
13	Norway	8446	25/01/1999	6	25/01/1999	167	01/01/2000
14	Greece	8000	21/09/1995	21	10/10/1995	922	01/01/2001
15	Malta	8667	23/10/2000	34	09/11/2000	1653	01/01/2001
16	Switzerland	8597	06/04/2000	9	28/04/2000	401	01/01/2001
17	Moldova	9036	27/03/2003	29	07/05/2003	935	01/01/2004
18	Belgium	9051	14/04/2003	38	23/05/2003	1279	01/01/2005
19	China	9383	04/05/2005	43	13/06/2005	1553	01/01/2006
20	France	9054	24/04/2003	39	24/05/2003	1307	01/01/2006

Notes and source

- The information regarding the agreement between Albania and other states are detailed in the official website of the tax authorities, alongside the agreements for each state, as follows: https://www.tatime.gov.al/eng/c/6/125/international-agreements.
- We would suggest to take in consideration the agreements in place when deciding in investing/working in Albania for tax and pension related .

List of countries with double-treaty agreements (2/2)

International double-treaty agreements

Nr.	State	Ratified by law Nr.	Ratified by law Date	Official notebook Nr.	Official notebook Date	Effective Page	Effective Date
21	Egypt	9440	11/11/2005	93	08/12/2009	2805	01/01/2006
22	Netherlands	9382	04/05/2005	43	13/06/2005	1533	01/01/2006
23	Kosovo	62/2014	19/06/2014	109	11/07/2014	4228	01/01/2016
24	Serbia, Montenegro	9403	19/05/2005	49	23/06/2009	1766	01/01/2006
25	Austria	9886	10/03/2008	44	01/04/2008	1987	01/01/2009
26	Slovenia	9938	26/06/2008	113	22/07/2008	4977	01/01/2010
27	Latvia	9937	26/06/2008	113	22/07/2008	4963	01/01/2009
28	South Korea	9615	27/09/2006	112	25/10/2006	4371	01/01/2009
29	Bosnia-Herzegovina	10000	29/09/2008	156	10/10/2008	7680	01/01/2009
30	Luxembourg	10094	12/03/2009	42	10/04/2009	2151	
31	Ireland	10214	21/01/2010	9	15/02/2010	306	01/01/2012
32	Estonia	10285	03/06/2010	79	02/07/2010	4115	01/01/2018
33	Germany	10287	10/06/2010	81	05/07/2010	4253	01/01/2012
34	Kuwait	10292	01/07/2010	92	20/07/2010	4958	01/01/2014
35	Spain	10338	21/10/2010	154	2010	8135	04/05/2011
36	Singapore	10402	24/03/2011	42	22/04/2011	1798	01/01/2012
37	Qatar	42/2012	19/04/2012	52	14/05/2012	2639	01/01/2013
38	India	167/2013	31/10/2013	184	20/11/2013	7771	
39	Great Britain And Northern Ireland	173/2013	05/12/2013	201	27/12/2013	8182	01/01/2014
40	United Arab Emirates	61/2014	19/06/2014	109	11/07/2014	4228	01/01/2014
41	Puffin Island	14/2015	26/02/2015	38	08/03/2015	1742	01/01/2017
42	Saudi Arabia	40/2019	20/06/2019	103	17/07/2019	8688	01/12/2019
43	Israel	108/2021	04/11/2021	177	15/11/2021	563	29/12/2021

Other useful links and information

Useful information	Website
Bank of Albania – Information regarding interest rate, exchange rates, licensed financial institutions and the procedure to obtain certain licenses	https://www.bankofalbania.org/home/
Ministry of Finances – General information regarding the macroeconomic overview of Albania.	https://financa.gov.al/
General Tax Directorate – Information regarding tax procedures and rate applied.	https://www.tatime.gov.al/
General Customs Directorate - Information regarding customs procedures, taxes and tariffs applied.	https://dogana.gov.al/english/
General Local Tax and Tariffs Directorate - Information regarding local taxes and tariffs applicable. To be noted that this website is only available in Albanian language.	https://dpttv.gov.al/
National Business Center - Business register in Albania and required legal information for Albanian business.	https://qkb.gov.al/home/
ADISA – Information regarding foreigner intending to stay/work in Albania	https://www.adisa.gov.al/foreigners-in-albania/

SERVICES WE OFFER

- **Identification and procurement of the necessary documents**
- **Registration procedure of entity in Albania**
- **Accounting and Tax services post-registration**

Thank you

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