



GLOBAL  
EMPLOYER  
GUIDE

**ALBANIA**





## Basic Country Facts

### Full Name

- Republic of Albania

### Capital

- Tirana

### Main Languages

- Albanian
- Italian
- Greek
- French
- German
- English

### Population

- 2.846 million

### Monetary Unit

- Albanian lek

### Internet domain

- .al

### International Dialing Code

- +355

### Currency

- Albanian lek



# STATUTORY LABOR REQUIREMENTS

## Probation Period

- Unless otherwise agreed in writing, the first 3 (three) months of the employment will be deemed to represent a probationary period, regardless of whether the contract is for a fixed or indefinite term.

## Annual Leave

- Annual vacations are governed by the Albanian Labor Code.
- The Labor Code provides for minimum paid annual leave of no less than four calendar weeks in one year (pro-rata for those who have worked less than one year).

## Public Holidays

- New Year's Day (1st January)
- Dita e Verës (16th March)
- Nowruz (23rd March)
- Easter Monday (13th April)
- Orthodox Easter Monday (20th April)
- Labor Day (1st May)
- Eid al-Fitr
- Eid al-Adha
- Mother Teresa Beatification Day (19th October)
- Flag Day (28th November)
- Liberation Day (30th November)
- National Youth Day (8th December)
- Christmas Day (25th December)



## Maternity Leave

- Employees are entitled to 365 days of paid maternity leave.
- 35 days should be taken before the expected due date and a minimum of 42 days must be taken after.
- After 42 days the employee can remain on leave or return to work.
- Women are paid 80% of their average daily wage for leave prior to the birth and up to 150 days after the birth. For the remaining leave, pay is given at 50% of her average wage.

## Paternity Leave

- There is no statutory paternity leave.

## Sick Leave

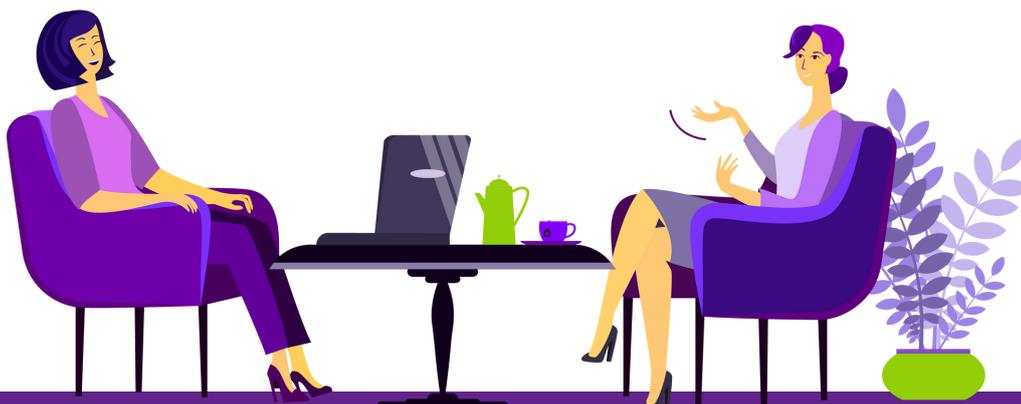
- In the event of illness, the employer pays the employee 80% salary for a period of 14 (fourteen) days, a period which is not covered by Social Insurance.

## Work Hours

- The Albanian work week is 40 hours, with a standard workday of 8 hours.
- Workers are entitled to 11 hours between work days and they are not allowed to work on Sundays.

## Overtime

- Overtime and extra working hours are also regulated by the Labor Code (Article 91), which provides that the employer shall compensate the employee for any overtime with 25 percent of normal payment if time-off in lieu is not given; or, if agreed, to compensate with time-off in lieu plus 25 percent of the hours of the normal working day, unless otherwise provided for in the collective contract.
- Extra work performed at weekends or on public holidays will give rise to higher extra payments of 50 percent of the normal payment, unless otherwise defined by the collective contract.
- Under no circumstances shall the maximum of overtime hours exceed 200 hours per year.
- The Employer cannot ask the Employee to perform overtime work if the Employee has performed 48 working hours during a week.



## Notice Period

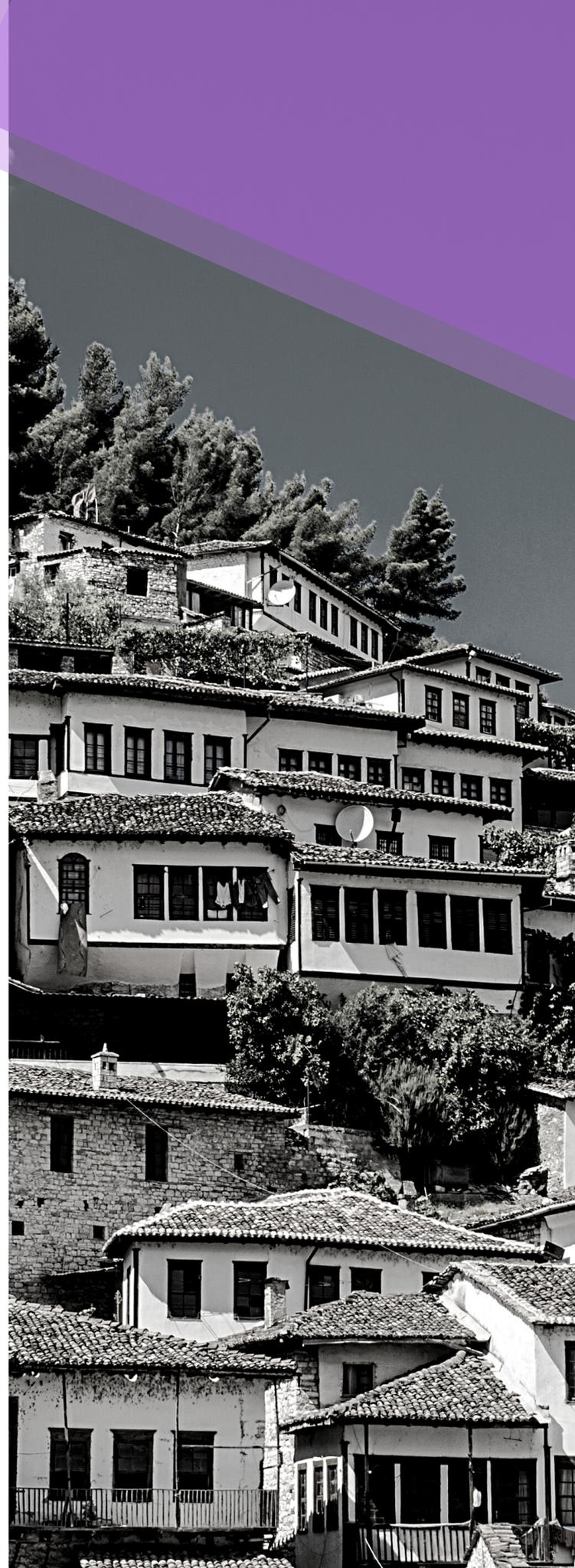
- The notice period for the termination of the employment contract is defined in the individual employment contract.
- In the event that the parties have not defined the notice term in the employment contract, reference shall be made to the Labor Code.
- During the probationary period either party may terminate relations with five days' notice.
- The Labor Code provides for mandatory minimum notice periods to be applied in the case of termination of an indefinite (open) term contract by either the employer or the employee, as follows:
  - during the first six months: two weeks;
  - between six months and one year: one month;
  - between one and five years of employment: two months;
  - for more than five years of employment: three months.

## Severance

- Employees are generally eligible for a severance payment of at least 15 days if they have worked for three or more years.

## 13th Month

- 13th month pay is not mandatory in Albania



## Income Tax

- Individual taxpayers, both residents and non-residents, are subject to personal income tax (PIT).
- Albanian law applies the principle of worldwide taxation.
- Resident individuals are taxed on all sources of income in and outside the territory of Albania, while non-resident individuals are taxed on income generated only in the territory of Albania.
- Employed persons are subject to income tax on remuneration and all benefits received from employment.
- Employment income includes the following:
  - Salaries, wages, allowances, bonuses, and other remuneration and benefits granted for services rendered in a public office or in private employment
  - Directors' fees
- Businesses with annual turnover up to ALL5 million are subject to 0% income tax, businesses with annual turnover from ALL5 million up to ALL14 million are subject to income tax at a rate of 5% of their profits, while businesses with annual turnover over ALL14 million are subject to income tax at a rate on 15% on their profits.
- Businesses operating in the agriculture sector are subject to a reduced tax rate of 5%.
- Entities certified as agro-tourism entities on or before 31 December 2021 are subject to 5% tax rate, which is applicable for a 10-year period.

- The tax base equals the difference between total gross income and total deductible expenses
- The following tax rates apply to income generated from employment:

<b>Taxable income (ALL)</b>	<b>Income tax</b>
<b>0 to 30,000</b>	<b>0%</b>
<b>30,001 to 150,000</b>	<b>13% of the gross amount over ALL 30,000</b>
<b>Above 150,000</b>	<b>ALL 15,600 plus 23% of the amount over ALL 150,000</b>



## Social Security

- Employers and employees contribute to a social security fund a percentage of the calculated monthly salary.
- The total contribution is 27.9%, of which 16.7% is borne by the employer, and 11.2% is borne by the employee.
- The contribution consists of a social security contribution of 24.5% (out of which 15% is borne by the employer and 9.5% is borne by the employee) and a health security contribution of 3.4% (out of which 1.7% is borne by the employer and 1.7% is borne by the employee).
- This remuneration cannot be lower than the minimum monthly salary set nationally, which is currently ALL26,000.
- The monthly remuneration is subject to social security contributions up to the maximum monthly salary amount for employed persons, which is ALL114,670.
- Self-employed persons must pay a health insurance contribution of ALL1,768, which is twice the minimum amount of health insurance contributions, calculated as 3.4% of the minimum salary.

Contribution	Employer	Employee
Social Security Contributions	15%	9.5%
Health Security Contribution	1.7%	1.77%



# Deductible Expenses

## Employment Expenses

- SHCs and voluntary pension contributions, up to the limits provided by the Law 'On Voluntary Pension Funds', are deductible for the purpose of calculating taxable income.

## Personal Deductions

- Interest expenses on loans obtained for the purpose of self-education, education of children, or other persons under care are deductible expenses for the purpose of calculating taxable income.
- Elements of medical expenses not covered by social security, resulting from medical services provided to the individual, their children, or other persons under their care, are deductible expenses for the purpose of calculating taxable income.
- Annual medical expenses incurred by and on behalf of the taxpayer, which are not covered by mandatory health insurance, are also deductible, up to the amount of ALL 8,532.
- In instances where the PIT declaration is compiled by the head of the family, annual medical expenses for that person, their children, or persons under their care can be up to the amount of ALL 8,532 for each family member, but cannot exceed ALL 32,000 in total.



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# Immigration

- Foreigners must apply for either a work permit or a work registration certificate.
- Citizens of the EU and Schengen area are exempt from the obligation to apply for a work permit or a work registration certificate.
- In addition, citizens of North Macedonia and Montenegro of Albanian ethnicity are exempt from the obligation to apply for a work permit or a work registration certificate.

## Work certificate

- The work registration certificate is issued for a period of 60 days to 90 days within one year for the following categories:
  - Consultants and audit service providers
  - Artists and technical staff in cultural activities
  - Technical staff provided by foreign companies for technical services
  - Lecturers
  - Personnel of international transport in Albania and certain other persons
- To obtain a work certificate, the following documents must be submitted:
  - Application form
  - Copy of the passport
  - Individual employment contract or secondment contract between the foreign entity, the local entity and the individual employee
  - If the above documents are filed by proxy, the relevant power of attorney
  - Five passport-size pictures
  - Receipt for fee payment

## Work Permit

- The work permit can vary depending on the type of economic activity that the foreigners will perform in Albania.
- Type A/P work permits are issued to employees who have legally entered Albania, fall in the list eligible for this type of permit and have regular employment contracts.
- Type A/P work permits are issued for the following terms:
  - One-year term for the first application
  - Two-year term, renewable two consecutive times
  - Permanent term, after the expiration of the second two-year term for the work permit
- To obtain a Type A/P work permit, the following documents must be submitted:
  - Application form
  - Passport (expiration date at least three months after the visa expiration date)
  - Copy of passport information regarding generalities and other important information
  - Individual employment contract or secondment contract between the foreign entity, the local entity and the individual employee
  - Registration certificate (court decision or company extract from National Business Center) of the employer
  - If the above documents are filed by proxy, the relevant power of attorney
  - University degree certificate
  - Five passport-size pictures
  - Receipt for fee payment

## Residence Permit

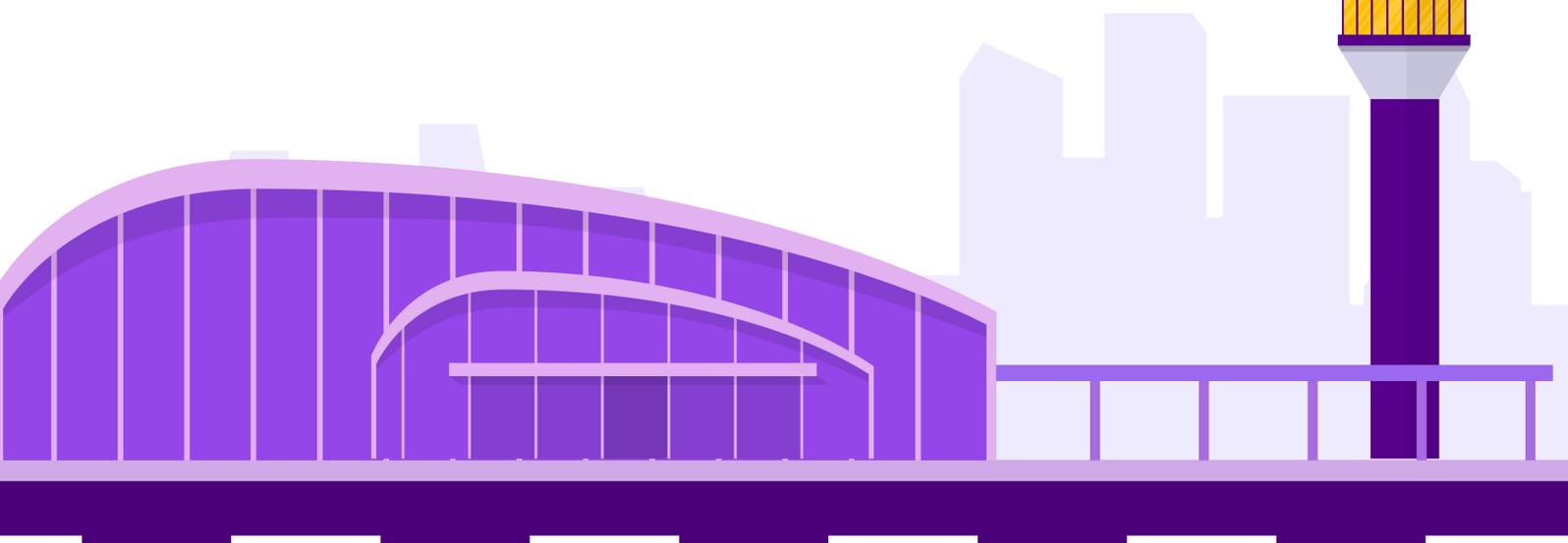
- Foreign citizens who plan to stay in Albania for more than 90 days within a 180-day period and who have entered Albania with a Type D visa or without a visa can apply for a residence permit.
- The duration of a residence permit may be three months, six months, one year, two years or five years, or the permit may be permanent.
- Residence permits with the first three periods of duration can be renewed up to five consecutive times.
- The two-year residence permit may be renewed only one time.
- Foreigners may apply for a permanent residence permit if they have had a legal residence in Albania for five consecutive years and have a permanent activity.
- To obtain a residence permit, the following documentation must be submitted:
  - Application form
  - Passport (valid for at least three months after the expiration date of the visa)
  - Copy of passport information regarding generalities and other important information
  - Criminal Records Clearance of the individual extracted in the last six months
  - Rent or purchase contract for an apartment or house in Albania
  - Personal/Family Certificate translated in Albanian, released in the last six months
  - Three passport-size pictures
  - Declaration from the host or employer about the purpose of stay
  - Photocopy of the work permit or the professional license
  - Health insurance certificate for Albania
  - Medical report (for citizens of and coming from countries affected by epidemics)
  - Fee payment receipt



Type of Visa	Documentation	Validity	Eligibility
<b>Work Certificate</b>	<ul style="list-style-type: none"> <li>• Application form</li> <li>• Copy of the passport</li> <li>• Individual employment contract or secondment contract between the foreign entity, the local entity and the individual employee</li> <li>• If the above documents are filed by proxy, the relevant power of attorney</li> <li>• Five passport-size pictures</li> <li>• Receipt for fee payment</li> </ul>	<ul style="list-style-type: none"> <li>• 60 days to 90 days within one year</li> </ul>	<ul style="list-style-type: none"> <li>• Foreigners must apply for either a work permit or a work registration certificate.</li> <li>• The following are eligible: - <ul style="list-style-type: none"> <li>◦ Consultants and audit service providers</li> <li>◦ Artists and technical staff in cultural activities</li> <li>◦ Technical staff provided by foreign companies for technical services</li> <li>◦ Lecturers</li> <li>◦ Personnel of international transport in Albania and certain other persons</li> </ul> </li> </ul>
<b>A/P Work Permit</b>	<ul style="list-style-type: none"> <li>• Passport (expiration date at least three months after the visa expiration date)</li> <li>• Copy of passport information regarding generalities and other important information</li> <li>• Individual employment contract or secondment contract between the foreign entity, the local entity and the individual employee</li> <li>• Registration certificate (court decision or company extract from National Business Center) of the employer</li> <li>• If the above documents are filed by proxy, the relevant power of attorney</li> <li>• University degree certificate</li> <li>• Five passport-size pictures</li> <li>• Receipt for fee payment</li> </ul>	<ul style="list-style-type: none"> <li>• One-year term (for first application);</li> <li>• Two-year term (renewable two consecutive times);</li> <li>• Permanent term</li> </ul>	<ul style="list-style-type: none"> <li>• Foreigners must apply for either a work permit or a work registration certificate.</li> <li>• Type A/P work permits are issued to employees who have legally entered Albania, fall in the list eligible for this type of permit and have regular employment contracts.</li> </ul>



Type of Visa	Documentation	Validity	Eligibility
<b>Residence Permit</b>	<ul style="list-style-type: none"> <li>• Application form</li> <li>• Passport (valid for at least three months after the expiration date of the visa)</li> <li>• Copy of passport information regarding generalities and other important information</li> <li>• Criminal Records Clearance of the individual extracted in the last six months</li> <li>• Rent or purchase contract for an apartment or house in Albania</li> <li>• Personal/Family Certificate translated in Albanian, released in the last six months</li> <li>• Three passport-size pictures</li> <li>• Declaration from the host or employer about the purpose of stay</li> <li>• Photocopy of the work permit or the professional license</li> <li>• Health insurance certificate for Albania</li> <li>• Medical report (for citizens of and coming from countries affected by epidemics)</li> <li>• Fee payment receipt</li> </ul>	<ul style="list-style-type: none"> <li>• 3 month to indefinite</li> </ul>	<ul style="list-style-type: none"> <li>• Foreign citizens who plan to stay in Albania for more than 90 days within a 180-day period and who have entered Albania with a Type D visa or without a visa can apply for a residence permit.</li> <li>• Foreigners may apply for a permanent residence permit if they have had a legal residence in Albania for five consecutive years and have a permanent activity.</li> </ul>



## Value Added Tax (VAT)

- The standard VAT rate is 20%, and the standard VAT period is the calendar month.
- Taxable transactions include goods and services supplied domestically as well as goods imported into Albania by a taxable person.
- A reduce rate of 6% applies to the supply of accommodation services

VAT	
Standard Rate	13%
Reduced Rate	6%



# Withholding Tax

## Dividends

- Dividends paid to a nonresident or to an Albanian-resident individual are subject to an 8% withholding tax, unless a reduced rate or exemption is available under a tax treaty.
- No withholding tax applies on dividends paid to an Albanian-resident company

## Interest

- Interest paid to a nonresident or to an Albanian-resident individual is subject to a 15% withholding tax, unless a reduced rate or exemption is available under a tax treaty
- No withholding tax applies on interest paid to an Albanian-resident company

## Royalties

- Royalties paid to a nonresident or to an Albanian-resident individual are subject to a 15% withholding tax, unless a reduced rate or exemption is available under a tax treaty
- No withholding tax applies on royalties paid to an Albanian-resident company

## Fees for technical services

- A 15% withholding tax is levied on fees for technical services; consultancy fees; management fees; and payments for construction, installation, assembly, or related supervisory work; paid to a nonresident or to an Albanian-resident individual, unless a reduced rate or exemption is available under a tax treaty
- No withholding tax applies on fees for technical services paid to an Albanian resident company



Type of Payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	8%	8%	8%
Interest	0%	15%	15%	15%
Royalties	0%	15%	15%	15%
Technical Service Fee	0%	15%	15%	15%

## Termination

- A fixed-term employment contract is terminated upon the expiry of its term without the need for any prior notice.
- An open-term employment contract is terminated when one party decides to do so and the prior notice period has been observed.
- The Labor Code provides that an employment contract can be terminated with or without cause and although in normal circumstances a notice period must be provided, there are circumstances where the law justifies immediate termination for reasonable cause.
- The notice period for the termination of the employment contract is defined in the individual employment contract.
- In the event that the parties have not defined the notice term in the employment contract, reference shall be made to the Labor Code.
- During the probationary period either party may terminate relations with five days' notice.
- The Labor Code provides for mandatory minimum notice periods to be applied in the case of termination of an indefinite (open) term contract by either the employer or the employee, as follows:
  - during the first six months: two weeks;
  - between six months and one year: one month;
  - between one and five years of employment: two months;
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- Employees are generally eligible for a severance payment of at least 15 days if they have worked for three or more years.

## Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, and severance pay.
- Statutory benefits also include social security benefits

### Statutory Benefits

**Probationary Period**

**Annual Leave**

**Public Holidays**

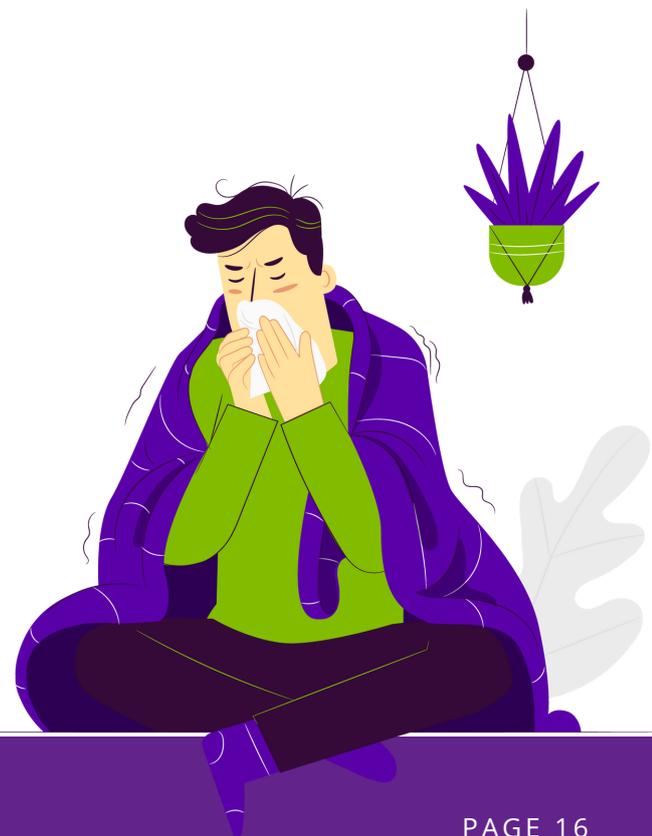
**Maternity Leave**

**Sick pay**

**Overtime Pay**

**Severance pay**

**Social security benefits**



## Payments and Invoicing

- The tax year in Albania is the calendar year.
- Employers must withhold personal income tax from wages and compensation paid, and they must pay the withholding tax to the tax administration by the 20th day of the following month.
- Employers must maintain records of payments in accordance with instructions issued by the Ministry of Finance.
- Individuals earning income of ALL 2 million or more must file a personal income tax return for the preceding year by 30 April.
- Income taxed at source must also be declared, but no personal income tax is calculated on such income.

## Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Albania ranked 82nd in the World in 2019 in terms of ease of doing business.



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