

Strategic sectors and several fiscal incentives regarding them

The package of the main laws and by laws on investments form a stable basis for business and investment activities in the Republic of Albania. The laws provide companies and investors with a framework for the establishment of business, with the rules for the protection of competition and the general prospects that the Albanian state offers to foreign citizens or foreign companies which perform economic activity in the territory of the Republic of Albania.

We have a special legislation on strategic investments aims at promoting and attracting strategic investments with significant capital implemented in economic sectors, which are considered strategic for the country development.

The Albanian Government offers several incentives for investments in almost all the economic sectors, especially on the priority sectors with high potential and interest for investments in Albania such as: tourism, agro-tourism, energy, infrastructure, agriculture, aquaculture and manufacture, automotive sector and ICT-BPO.

TOURISM INCENTIVES

Tourism is one of the strategic sectors which employs about 22.2% of the total workforce in Albania and is one of the main contributors of the economic development with a direct contribution of 10.3% of GDP and a total contribution of 21.2% of GDP. The tourism sector has in implementation the most complete legal package of fiscal incentives since 2016. The incentives offered, unlike other Western Balkan countries, do not make differences in territorial terms, but depends on factors such as the size of the investment, the employment generated and the registered trademark.

The proposer of an investment project with a special status, so a quality and standardized investment (four and five star hotel / brand name):

- can benefit from the use of public property with a symbolic rental fee of 1 Euro;
- reduced VAT to 6%, exemption from the profit/income tax for a period of 10 years, *starting from their commencement, but no later than 3 years from the date of obtaining the special status*;
- exemption from the infrastructure impact tax and the construction tax.

Thanks to these incentives since 2016, 8 investment projects have gained strategic status in various geographical positions along the coast of Albania, with a total investment value of 366 Million Euros, and a total employment of 2000 employees.

AGROTOURISM INCENTIVES

- A reduced 5% rate of the tax on profit for entities that conduct hosting activities certified as "agro-tourism", for a period of 10 years for entities that their commencement is until December 31, 2021;
- A reduced 6% VAT rate for the supply of accommodation services and restaurants, with the exception of beverage;
- Exemption from the tax of impact on infrastructure;
- The taxable person applying the 6% reduced value added tax rate is the person registered with NIPT / NUIS, only for the conduct of host activity certified as "agro tourism";
- A reduced 6% rate of value added tax, which applies to the supply of audio-visual media advertising service;
- A reduced 6% rate of value added tax, which applies to the supply of books of any kind;

- Other facilities provided by the Government such as lease of public land for a period of 99 years, public tenders on priority areas for the development of tourism, supporting and technical infrastructure, such as roads, water, electricity, etc.

ENERGY INCENTIVES

Energy is another important sector with a total contribution of 33% of the GDP. The sector has attracted 31% of the total Foreign Direct Investment for 2019. The sector is involved in the economic development plans and government facilities and subsidies in order to support the investments in this sector. The new Law on Renewable Energy Sources of 2017 provides a legal framework that enables feed-in tariff for new and existing small hydropower plants with a capacity up to 15 MW, but also solar plants up to 2 MW and wind power plants up to 3 MW.

- Payment of only direct costs of the connection to transmission or distribution networks;
- Long term agreement (15 years) for electricity produced from plants of a 15 MW capacity or higher;
- Exemption from custom duties and VAT and reimbursement of the custom duties on imported raw materials for the manufacturing or assembly of solar panel systems;
- FIP (Feed-in-Premium) tariffs on tendering process for new PV installations over 2MW through Contracts for Difference (CfD);
- Exemption on imports of machinery and equipment in function of realizing investment contracts with a value equal or higher than 50 million ALL with installed production capacity over 0.5 MW.

AGRICULTURE INCENTIVES

The sector of agriculture generates 17.8% of GDP and employs 460,878 individuals, or 40% of the total number of employees. Increasing the competitiveness in agriculture is one of the main priorities of the Government of Albania. The sector is recovering from the negative consequences caused by the pandemic, while the interest in investing is high.

- The companies investing in this sector can benefit from the use of public property with a symbolic rental fee of 1 Euro;
- VAT exemption for the supply of agricultural machinery;
- VAT exemption for the supply of agricultural inputs, as chemical fertilizers, pesticides, seeds and saplings;
- 6% reduced VAT for the accommodation structures certified as "agro-tourism entities.";
- For individual farmers, groups of farmers, and agricultural associations 100% of the grant for a land surface up to five hectares and an additional 25% of the grant value per hectare (up to 5-10 hectares).

AQUACULTURE INCENTIVES

- Lease/emphyteusis contracts with a fee of 1 (one) EUR/contract, where the investment is higher than 100,000,000 (a hundred million) ALL and the term of this entering is 20 (twenty) years;
- The lease of infrastructure is 100 (a hundred) ALL per month and in case of leasing fuel deposits, the value is 400 (four hundred) ALL/m³ per month.

MANUFACTURE INCENTIVES

- Facilitative measures on the textile and footwear industry are taken by the Government on financing personnel trainings, facilitation of customs procedures, simplification of procedures on Employment and Social Security;
- A symbolic tariff of € 1 leasing contract, for the lease of state-owned property is provided;
- Instant reimbursement of VAT in the case of taxpayers with a zero risk, and reimbursement within 30 days in the case of exporter taxpayers;

- Exemption from VAT on import of machinery and equipment;
- 0% VAT for supplies of processing services of non-Albanian goods destined for re-exports.

AUTOMOTIVE SECTOR

Albania offers to the automotive industry manufacturers a competitive investment environment with a significant cost reduction compared to many countries in Europe, convenient access by road and sea to European and global markets, a skilled workforce and a wide availability of work.

Considering the potential that Albania offers, the country is well positioned in 3 segments of the automotive sector to host products: Plastic / tires components; Manufacture of electrical cable systems; Manufacture of components for car seats.

THE ICT-BPO SECTOR

The ICT-BPO sector has been targeted as one of the fastest growing activities in recent years and is active on exporting services to EU countries, mainly in Italy. Albania is well positioned in several major service groups, such as: Customer Interaction Services and Call Centers; IT and Software Operations; Finance & Accounting.

The ICT-BPO sector has the potential to expand further in two ways: - by exporting services , already present, in a wider market in Western Europe and - by launching in services with higher margins and diversifying its range of activities, including more complex processes in Finance & Accounting, Digital processes, Software Design and Development, Technology, block-chain, Cyber Security, etc.

TEDA INCENTIVES (TECHNOLOGICAL AND ECONOMIC DEVELOPMENT AREAS)

- Capital expenses are 20 % deductible during a period of 2 years for developers and users that invest in TEDA within 3 years from the commencement of their activity;
- The supply of Albanian goods to the technology and economic development area shall be considered as supplies for export with zero VAT rate and the developer's project is exempted from the tax of impact on infrastructure;
- Buildings constructed in the area according to the developer's project are exempted from the tax on immovable property for a period of 5 years and the developers or users of the area are exempted from the tax on property right transfer on immovable properties;
- Expenses for wages, and social and health contributions that the employer pays to the employee are 150 % deductible for the first year.

START UPS

We are planning to create a regulatory and institutional framework which supports and favours the creation and development of new businesses with high growth potential, in the field of technology and innovation, known as Innovative Start-ups, which realize ideas, new business models, products and processes, which bring significant innovation and improvement in every area of the economy.