



REPUBLIKA E SHQIPËRIE  
MINISTRIA E FINANCËVE  
DHE EKONOMISË

# MAP REA

## Albania Inventory of Investment Incentives



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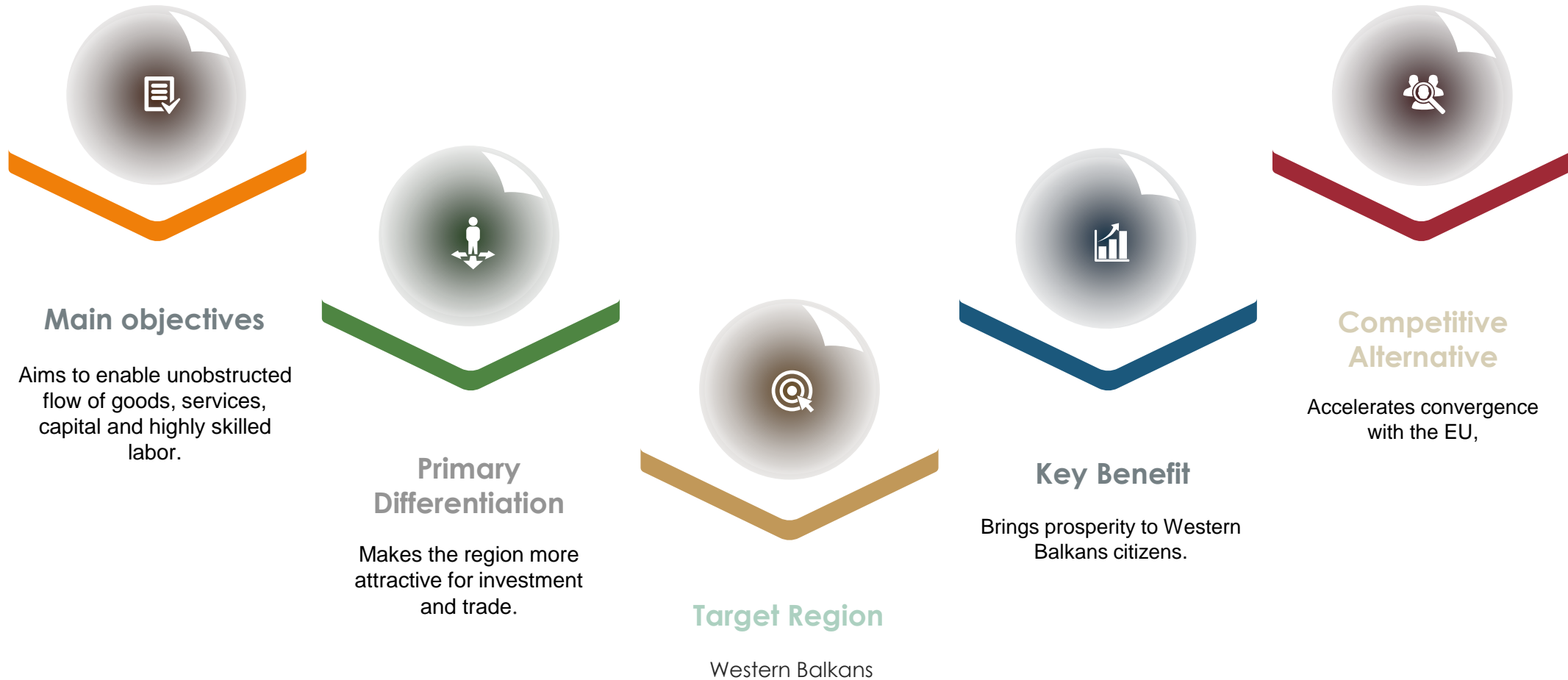
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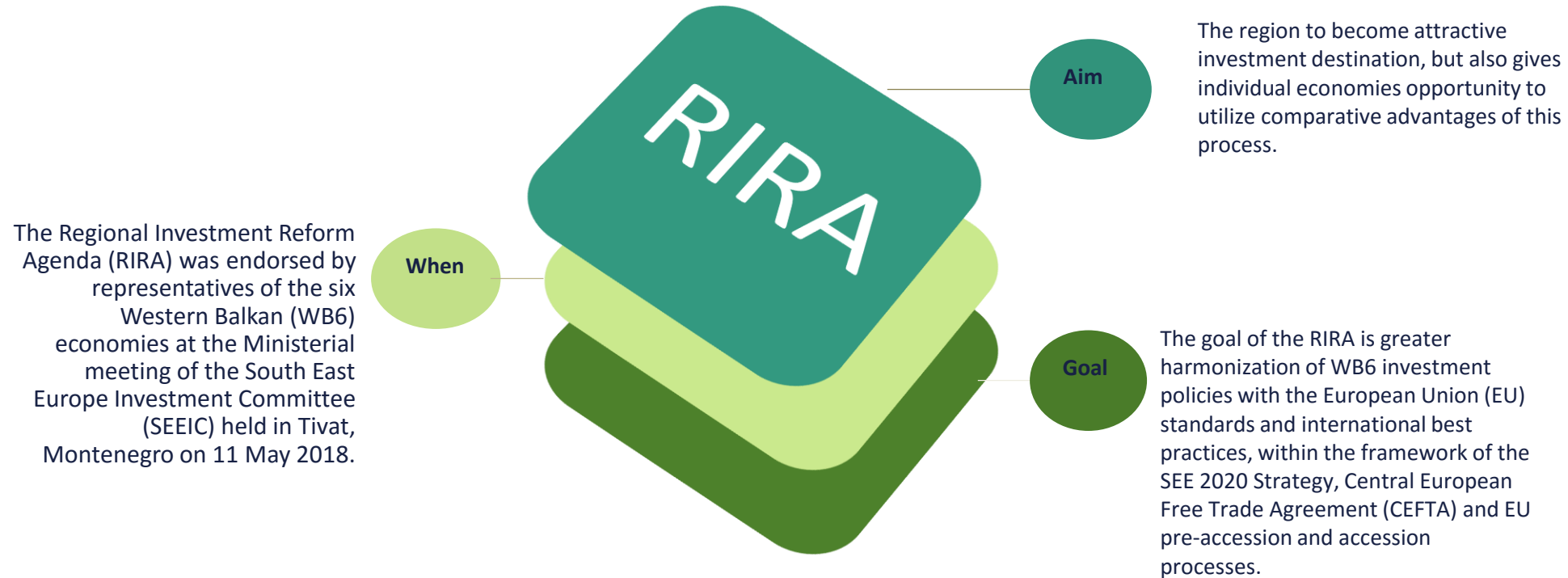
Albania Investments Inventory of Incentives

# Multi Annual Action Plan on a Regional Economic Area

## MAP REA

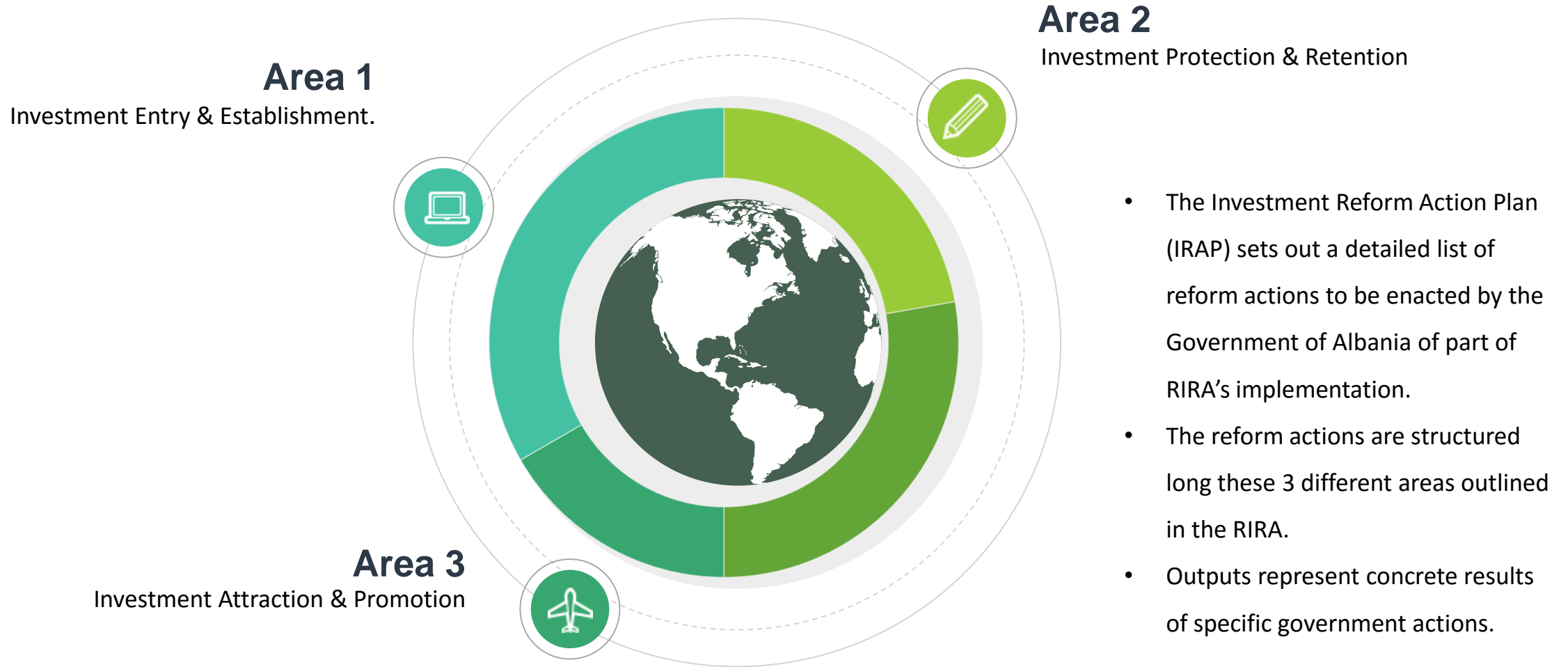


# WHAT IS RIRA





# INVESTMENT REFORM ACTION PLAN IRAP 2019-2020



# MAP REA PILLAR 2, INVESTEMENT POLICY

## Year 2017

- Implement and monitor investment reforms in WB6 as per established regional investment reform agenda

## Year 2018

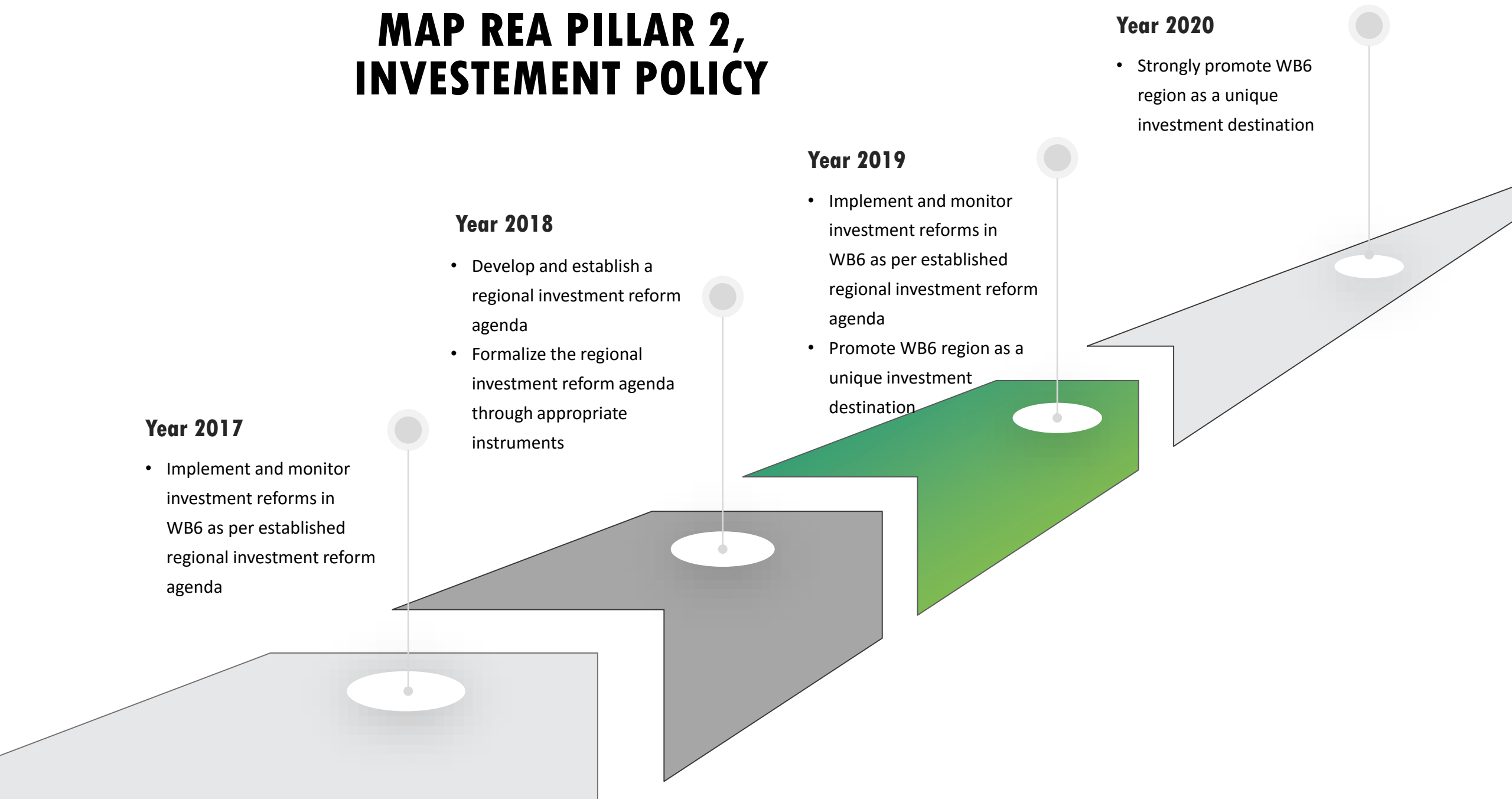
- Develop and establish a regional investment reform agenda
- Formalize the regional investment reform agenda through appropriate instruments

## Year 2019

- Implement and monitor investment reforms in WB6 as per established regional investment reform agenda
- Promote WB6 region as a unique investment destination

## Year 2020

- Strongly promote WB6 region as a unique investment destination



# WHAT IS ALBANIA INVENTORY OF INVESTMENTS INCENTIVES

## What IS THE INVENTORY OF INCENTIVES

- A publicly available database of incentives offered to investors in different sectors and geographic locations by the different government agencies.

## WHAT IS COVERED IN THE INVENTORY OF INCENTIVES?

- **Types of incentives:** taxation, customs duties, and financial incentives (feed-in-tariffs, grants, subsidies), etc.
- **Legislation:** All primary legislation.
- **Sectors:** All sectors.
- **Geographic coverage:** National.

INVENTORY  
OF  
INCENTIVES

LINK WITH  
MAP REA

WHAT  
COVERS

WHAT  
DOESN'T  
COVER

## LINK WITH MAP REA

### IRAP action 6.2.1:

Undertake a detailed mapping of incentives available on all government levels and compile a comprehensive and up to date inventory of incentives in Albania.

## WHAT IS NOT COVERED IN THE INVENTORY OF INCENTIVES?

- **Other non-fiscal incentives:** regulatory facilitations, Free Trade Agreements.
- **Non-government-funded/donor-funded incentives:** USAID/EBRD/UNDP/WBG/EU soft loans, grants, etc.
- **Sub-Sectors/Products:** specific import/export products for customs incentives, specific goods/services for sales tax, specific income items for corporate income tax, etc..

# WHY IS THE INVENTORY OF INVESTMENTS INCENTIVES IMPORTANT

## FOR INVESTORS

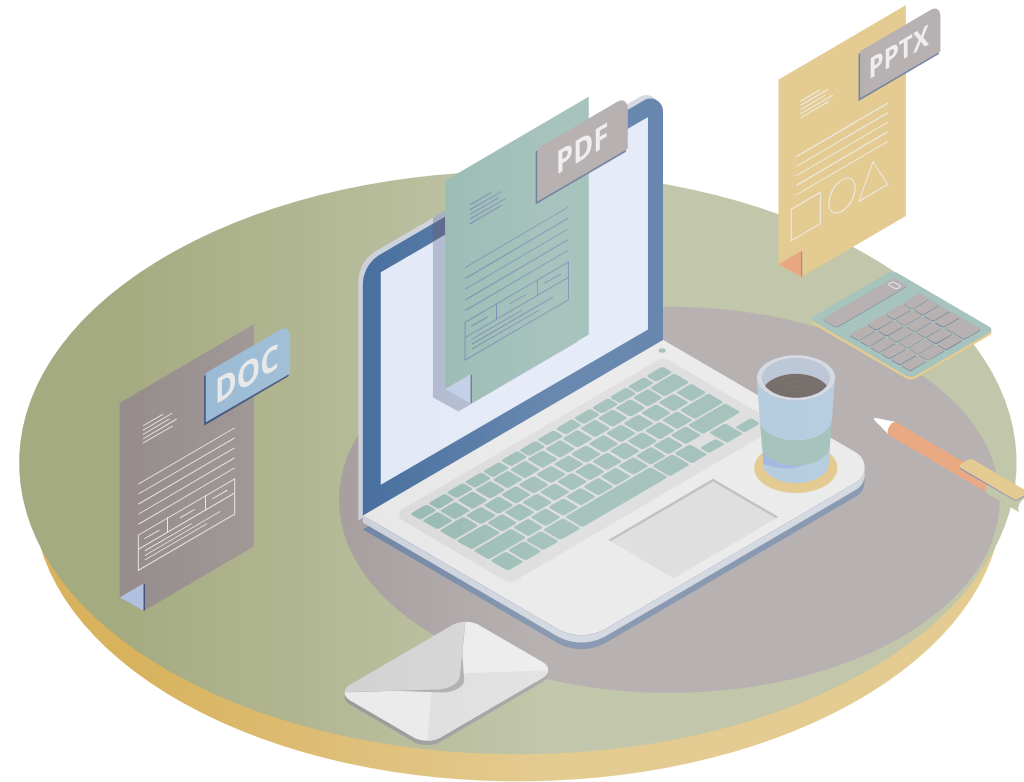
- **Reduce time and cost** to research, identify, and apply for incentives.
- **Raise awareness on available incentives** which can help attract a larger number of beneficiaries

## FOR GOVERNMENT

- **Identify tax expenditures** for private investment and evaluate costs and benefits of incentives.
- **Promote investment opportunities** using information on incentives as part of investment promotion materials.
- **Improve policy coordination** among government bodies involved in economic policy making, making relevant information available to all stakeholders.

## FOR OTHER STAKEHOLDERS

- **Increase transparency and access to information** on incentives provided to firms.
- **Help conduct research and evaluation** of investment policy, fiscal expenditures, etc.





# WHY GOVERNMENTS NEEDS TO EVALUATE INVESTMENTS INVENTORY OF INCENTIVES



01

## For Financial Analysis

- This helps to assess the profitability of the various investment incentives via a cost benefit analysis (CBA). (where MFE is actually working)



02

## For Moralists Rationale

- This helps to allocate cost values that might address ethical concerns raised by proposed investment incentives



03

## For Socio-economic Benefits

- This helps to compare various investment incentives and estimate there impact on social policies.



04

## For Risk Analysis

- This helps to concretely measure the effectiveness and efficiency of various investment incentives as it relates to risk management.

# ALBANIA INVESTMENTS INVENTORY OF INCENTIVES

## Subsidized Land Concession: "The €1 Symbolic Fee Contract".

1

Government can lease public property of more than 500 squared meters or grant a concession for the symbolic price of 1 euro if the properties will be used for manufacturing activities with an investment exceeding 10 million euro, or for inward processing activities.

## Technological and Economic Development Area (TEDA) - Value Added Tax (VAT) Exemption.

3

Imported goods in TEDA and transported goods between TEDAs exempted from VAT.

## Technological and Economic Development Area (TEDA) - Personal Income TAX exemption.

5

Developers and users exempted from 50% of the profit tax rate for a period of 5 years.

## Technological and Economic Development Area (TEDA) - Custom Duty Exemption.

2

Imported goods in TEDA and transported goods between TEDAs exempted from customs duties.

## Technological and Economic Development Area (TEDA) - Capital Expenditure.

4

Capital expenditure 20 percent deductible for 2 years if developers/users invest in the TEDA within 3 years of its operation.

## Technological and Economic Development Area (TEDA) - Real Estate/Infrastructure Tax Exemption.

6

Developer's project exempted from infrastructure taxes and buildings in TEDAs exempted from real estate taxes for 5 years.

# ALBANIA INVESTMENTS INVENTORY OF INCENTIVES

## Technological and Economic Development Area (TEDA) - Real Estate Transfer Tax Exemption.

7

Buildings transferred to the TEDA not subject to the transfer tax on real estate.

## Technological and Economic Development Area (TEDA) - Deductible Training Costs.

9

Training costs are deductible for a period of 10 years, for the double of the value.

## Reduced Value Added Tax (VAT) for Agritourism Activities.

11

For tourism enterprises that conduct certified reception activities such as "Agritourism", according to the legislation in force for tourism, will enjoy **a 6% VAT rate** (instead of standard 20%) for the provision of accommodation and restaurant services, with the exception of drinks. The taxable person, applying the reduced rate of 6% VAT, is the person registered with NIPT / NUIS, only for the development of the reception activity certified as "Agritourism".

## Technological and Economic Development Area (TEDA) - Deductible Social Security Costs - Income Tax Deduction.

8

Wages and social security costs 150 % deductible for the first year. New expenses for these categories compared to the previous year are 150 % deductible for the subsequent year.

## Technological and Economic Development Area (TEDA) - Deductible R&D Costs.

10

Research and Development costs are doubly deductible for a period of 10 years.

## Reduced Value Added Tax (VAT) for Audio Visual Media.

12

Starting from January 2019, a reduced rate of value added tax of 6% is applied to the provision of advertising services by audiovisual media. Before 2019 this was an exempt supply from VAT.

# ALBANIA INVESTMENTS INVENTORY OF INCENTIVES

## Reduced Value Added Tax (VAT) for Supply of Books.

13

A reduced rate of value added tax of 6% is applied to the sales of books of any kind.

## Value Added Tax (VAT) Exemption for Agricultural Machinery.

15

The sale of agricultural machines are exempt from VAT.

## Value Added Tax (VAT) Exemption for Pharmaceutical Imports for Domestic Drugs Production.

17

Sales of imported raw materials used for the production of drugs are exempt from VAT, with the exception of dual-use items, carried out by holders of production authorization, according to the field legislation for medicines.

## Reduced Value Added Tax (VAT) for Large Electric Vehicles.

14

The reduced rate of value added tax of 6% is applied to sales of public passenger transport vehicles with nine or more seats, or more, only with electric motor. The 6% rate will be applied until 31 December 2021. From 1 January 2022, the reduced VAT rate applied for this supply will be 10%.

## Value Added Tax (VAT) Exemption for Agricultural and Veterinary Inputs.

16

Sales of agricultural inputs and supply of veterinary services are excluded from VAT, with the exception of veterinary services for domestic animals.

## Value Added Tax Exemption (VAT) - Commodity Processing.

18

The sales of non-Albanian commodity processing services intended for re-exportation by authorized taxable persons and their subcontractors is treated as zero-scale supply of VAT on the basis of the provisions of the Customs Code for operations under active processing mode.

# ALBANIA INVESTMENTS INVENTORY OF INCENTIVES

## Reduced Profit Tax for Software Producers.

19

For legal persons who exercise the activity of producing / developing software, the applied profit tax rate is 5%.

## Reduced Profit Tax for Agricultural Producers.

20

For legal persons, who conduct economic activities according to law no. 38/2012, "On agricultural cooperative societies", the applied income tax rate is 5%.

## Reduced Profit Tax for "Agritourism" Activities.

21

For entities that conduct certified reception activities as "Agritourism", according to the legislation in force in the field of tourism, the profit tax rate is 5%. The maximum duration of this incentive is 5 years.

## Exemption from Carbon Tax.

22

Exported petrol and gasoline are exempt from carbon tax.

## Municipality of Tirana: "Empowering Women and Promoting Entrepreneurship".

23

The project participants are women who live and / or have small or very small businesses in the territory of the Municipality of Tirana at the time of application.

## Municipality of Tirana: "Young People and Young People Towards a Profession".

24

The young men and women who have completed university studies or, at home or abroad, have less than 24 months to complete these studies and are unemployed. - Ages up to 29 years - Residence in the Municipality of Tirana.



# ALBANIA INVESTMENTS INVENTORY OF INCENTIVES

## Municipality of Tirana: "Youth Business Employment Promotion Program".

25

Participants are young people who live and / or have small/very small businesses in the territory of the Municipality of Tirana at the time of application.

- Young and young, residents of Tirana City, who are studying in Public or Non-Public Universities ; Young people with disabilities;
- Unemployed young men and women who do not belong to the above categories ".pality Territory

## Reimbursement of Fuel Used in Electricity Production.

27

Natural or legal entities who use fuels for electricity generation (including from renewable energy sources) for selling or for own consumption can apply for excise tax exemption for the used fuel. Applications must be submitted to the customs office by the 10th of the following month for the fuel used for electricity production in the previous month (Art 42 & 43 Council of Ministers Decision no.612 dt.05.09.2012 on Implementing Provisions on Excise Law).

## Albanian Investment Development Agency (AIDA), fund for handicraft.

29

Governmental grants to Albanian SME

## Import Duties Exemption for Machinery Used in Renewable Energy Production.

26

Investors in power production based on renewable energy sources, after obtaining the relevant building permit, must submit to the ministry of energy, 6 months prior to importation, a complete list of specified machinery and equipment, which will be imported for the planned renewable energy power plant. The Ministry verifies and adopts the list. The Directorate General of Customs based on the list approved by the Ministry implements the exemption from import duties. (Art. 1-6, Reimbursement Decision).

## Albanian Investment Development Agency (AIDA) - Fund for Competitiveness

28

Governmental grants to Albanian SME

## Albanian Investment Development Agency (AIDA) Start Up Fund -

30

Governmental grants to Albanian SME

# ALBANIA INVESTMENTS INVENTORY OF INCENTIVES

## Loss Carry Forward for Corporate Income Tax Purposes.

31

Fiscal losses can be carried forward for three consecutive years (the first losses are used the first). However, they can't be carried forward if more than 50 percent of direct or indirect ownership of the share capital or voting rights if the taxpayer is transferred (changed) during the tax year.

## VAT Exemption for Solar Panel Systems for Producing Hot Water.

33

the Law provides for every person who produces or installs solar panel systems to benefit from exemption from customs duties and VAT charged on solar panel systems. Each person who produces or installs such systems for hot water or for sanitary purposes in buildings or technological processes in industry should be reimbursed for the custom duties paid on the import of raw materials used for the production or assembly of these systems..

## Tax Exemption of Dividends Designated for Investments.

35

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. This applies, despite the participation quote, in amounts or number of shares, in shareholder capital of the voting rights or participation in initial capital of the beneficiary. The tax rate on dividends is 8% in Albania. The dividend tax rate of 8% will also apply to retained earnings realized before end of 2018, including capitalized reserves and gains, provided that the dividend tax, which is the retained earnings of 2017, beforehand, be paid by September 30, 2019, and the dividend tax for 2018 will be paid by August 20, 2019.

## Guaranteed Feed-in Tariff for Renewable Energy Generation.

32

Under the 2017 RES Law, the main promotional measure is a specific form of a feed-in tariff termed contract for difference. In accordance with the approved methodology, the regulator decides on the amount of the FIT for electricity produced from different sources and technologies. In order to determine the FIT for hydropower plants, the regulator divides the producers in three groups: (I) 0 – 2 MW, (II) 2 – 5 MW and (III) 5 – 15 MW. The fee specified in the PPA will last for a maximum of 15 years and should be updated annually by the regulator.

## VAT Credit for Fuel.

34

Taxpayers whose main business activity is the production of bricks and tiles and the transport of goods with technological means are allowed to credit VAT on the purchase of fuel used wholly and exclusively for their business activities, up to the limit of a certain percentage of the taxpayer's total annual turnover.

## Value Added Tax Exemption (VAT) - Oil and Gas Platforms - Drilling Components.

36

Zero Rate Value Added Tax (VAT) is applied to the following goods: a) the supply of goods which are intended to be admitted into the territorial waters of the Republic of Albania, in order to be incorporated into drilling or production platforms, for purposes of the construction, repair, maintenance, alteration or fitting-out of such platforms, or to link them to the mainland; b) the supply of fuelling and other necessary provisioning of drilling or production platforms, which are established into the territorial waters of the Republic of Albania. The related supplies or services to the supplies of the above mentioned goods shall be treated as supplies with zero VAT rate.

# ALBANIA INVESTMENT INVENTORY OF INCENTIVES

## Value Added Tax Exemption (VAT) - Fishing and Maritime Transport.

37

a) the supply of goods for the fuelling and other necessary provisioning of vessels used for navigation on the high seas and international transport of passengers for reward or used for commercial etc (see excel)

## Value Added Tax Exemption (VAT) - Machinery Imports.

39

Value Added Tax (VAT) Exemption for import of machinery and equipment: for the performance of investment contracts, with a value equal to or greater than ALL 50 million;

## Value Added Tax Exemption (VAT) - Import of Animal Food and Equipment for Animal Transport.

41

Animal food and equipment needed during the transport of animals.

## Value Added Tax Exemption (VAT) - Agricultural Machinery Imports.

38

Value Added Tax (VAT) Exemption for import of machinery and equipment:  
a) for the performance of investment contracts in the active processing and agribusiness sector, regardless of the value of the investment; and  
b) importation of manufacturing machinery from simplified income tax entities..

## Value Added Tax Exemption (VAT) - Warehouse Storage.

40

The following transactions shall be treated as supplies with zero VAT rate:  
a) the supply of goods which are intended to be placed in temporary storage, as defined in the customs legislation in force;  
b) the supply of goods which are intended to be placed in a free zone or in a free warehouse, as defined in the customs legislation in force;  
See excel

## Value Added Tax Exemption (VAT) - Import of Goods and Services Related to Petroleum Search Activities.

42

Important of goods and services related to the accomplishment of the search phase of petroleum operations, carried out by contractors working for these operations. Contractors and subcontractors are certified as such by the National Agency of Natural Resources. The Minister of Finance and the minister responsible for energy shall issue joint guidelines to determine the list of goods and services related to the search phase, as well as the procedures of exemption from VAT.

# ALBANIA INVESTMENTS INVENTORY OF INCENTIVES

## Reduced VAT rate for accommodation structures

43

Starting from June 2019, accommodation structures will enjoy a 6% VAT rate (instead of standard 20%) for the provision of accommodation services.

## Reduced VAT rate for five star hotels and brand name hotels

44

Starting from 2018, a 6% VAT rate (instead of standard 20%) for the provision of accommodation services for five stars hotels.

## Corporate Income Tax (CIT) exemption - Four and five star hotels

45

Starting from 2018, four-star and five-star hotels are exempt from corporate income tax (CIT) for a period of 10 years provided they have met the criteria for obtaining the special status no later than December 2024.

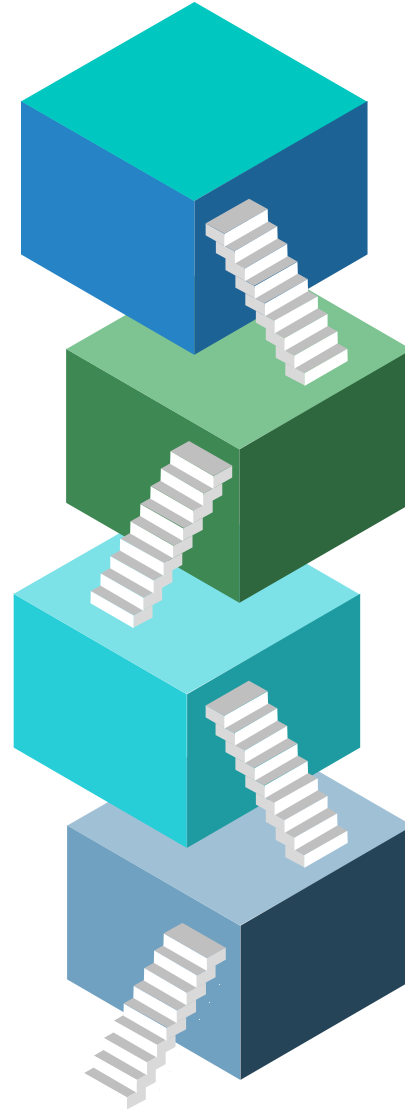
## DETAILED LIST OF ALBANIA INVENTORY OF INCENTIVES

[Incentivat\ALB\\_Incentives Inventory\\_English\\_FINAL.xlsx](#)

# INVESTMENTS INVENTORY HIGHLIGHTS

- 36 corporate tax incentives
- 1 customs duty incentive
- 6 financial incentives
- 1 feed-in-tariff
- 1 land concession

- 10 incentives in the Technological Economic Development Areas
- 3 incentives in the Municipality of Tirana



**45 investment incentives in total**

**29 sector-specific incentives for:**

- Manufacturing
- Agri-business, agriculture
- Tourism, Renewable Energy
- ITC, Automotive, pharms, oil and gas, handicraft, etc.