



**ALBANIA**

## **1. Applicable Laws**

The main laws relating to employment in Albania are:

- Labor Code of the Republic of Albania
- Law on Social Insurance
- Law on Health Insurance
- Law on Labor Inspection
- Law on Income Tax
- Law for the Collection of Mandatory Social and Health Insurance Contributions

## **2. Social & Health Insurances**

The central institution for Social Insurance is the Institute of Social Insurance (I.S.SH.) which operates according to law no 7703, dt.11/05/1993.

The contribution rates are as follows:

|          | Social Insurance | Health Insurance |
|----------|------------------|------------------|
| Employer | 15%              | 1.7%             |
| Employee | 9.5%             | 1.7%             |

The social and health security contributions due by employees are withheld by the employer from their gross monthly income and the employer is liable to pay the total amount of social and health insurance by the 20th of the month following the month in question. The relevant tax declarations are submitted in the site [www.tatime.gov.al](http://www.tatime.gov.al).

Self-employed individuals in the private sector are liable to pay 23% of the minimum base salary as determined every year by the Decision of the Council of Ministers for social insurances and 3.4% for health insurance contributions of the double of the aforementioned minimum base salary.

The documents required for public and private institutions are the monthly payroll slips.

## **3. Personal Income Tax**

Companies are liable to pay the Personal Income Tax (deducted from the gross salary of the employee, and paid on behalf of the employee), based on the base gross salary of the employee as follows:

| Monthly taxable income (in ALL) | Tax rate                                |
|---------------------------------|---|
| 0 - 30,000                      | 0%                                      |
| 30,001 - 150,000                | 13% on the amount over 30,000           |
| Starting from 150,000 and above | 15,600 + 23% on the amount over 150,000 |

#### 4. Employment Procedure

The employment contract must be in accordance with the Employment Contract Template of the Labour Code which includes clauses such as:

1. The identity of the parties;
2. Employment duration period– defined or undefined, start date and the work place;
3. The working hours per week (in accordance with the Albanian Labour Code, the standard number of working hours per week is 40, additional working hours per week are compensated as overtime) and the wage information;
4. Annual holidays; and
5. The rights and liabilities of both parties.

The two types of employment are:

1. Full - time employment
2. Part - time employment

The employment contract is concluded in accordance with the Labour Code and includes any particular requirements from employer and employee. It also includes any additional specifications arising from internal requirements, but they always must be in accordance with the local regulations.

Documents to be submitted upon employment:

- a. Employment contract
- b. Certification confirming that the employer is willing to pay social and health insurances and the salaries' tax returns on behalf of the employee. The declaration is submitted by the employer to the Regional Tax Directorate.

Periodic obligations include:

- Monthly net salary
- Monthly payment of social & health insurance and salaries' tax returns

#### 5. Protection of Employment

Obligatory payments of the employer and the Social Insurance Fund occur in the following cases:

**Holidays:** The duration of the annual leave is determined in the employment agreement, but cannot be less than 28 calendar days for each year of service in the company – if the period of service is less than one year, the paid leave days are in proportion with the period of service – i.e. if the employee has been in service to a period of nine months, the paid leave days will be  $9/12 \times 28 = 21$  days. The employer should give the annual leave within the working year or up to end of the first quarter of the following year, but the annual leave cannot be less than 7 calendar days in consecutive. The Employer determines the date of commencement of annual by taking into consideration of the employee's will.

Official holidays are paid as well – the chart of the official (national) holidays is published in the official website [www.bankofalbania.org](http://www.bankofalbania.org)

**Illness:** The employee has the right to a sick leave for the whole period of sickness until the doctor confirms that he/she is able to return to his/her working duties or until the Commission of Medical Doctors declares permanent lack of ability for work.

During sick leave the employer pays to the employee at least 80% of his/her for the first 14 days of illness. From the 15<sup>th</sup> day and onwards the employee is compensated by the Regional Social Insurance Directorate for 70% of his/her average salary for the past six months if the employee is insured for a period less than 10 years and 80% of his/her average salary for the past six months if the employee is insured for a period more than 10 years. The period of temporary disability for work benefit begins on the 15th day of the medical report and can last no more than 6 months.

**Illness of dependent child:** The employee has the right of 15 days paid leave per year in case of illness of his/her minor child who is younger than 3 years old and 12 days paid leave per year if the child is older than 3 years. Also, the employee has the right to take 30 additional unpaid days off per year.

**Maternity:** Women are entitled to maternity leave for 12 consecutive months, including a minimum period of 35 days before childbirth and 63 days after childbirth. Women that carry more than one child are entitled to maternity leave for 390 days, including a minimum period of 35 days before childbirth and 63 days after childbirth. The woman may start to work on her demand before the expiration of her maternity leave, but not before 63 days after the childbirth.

During the maternity leave, women are entitled to salary compensation from the Regional Social Insurance Directorate. The first six months the employee will be compensated with 80% of the average monthly salary (of the previous year), and the following six months with 50% of the average monthly salary (of the previous year).

The woman grants the right to salary compensation for maternity leave only if she was insured near the Regional Social Insurance Directorate, 12 months prior to the pregnancy and during the pregnancy period.

## 6. Payroll Calculation Procedure

### **Full working days, no bonuses, and no overtimes:**

Net salary is payable to the employees monthly. The total days worked are calculated on the payroll list as is the basis gross salary. Deductions are then made according to the legislation in force and the net salary is derived.

### **Bonuses + overtimes:**

Overtimes are hours of work exceeding 40 hours/week and they are compensated with at least 25 % more than the regular working hours.

Bonuses are considered as one-time income for the employee thus not included in the gross salary for contribution purposes. They are included in the gross salary only for the calculation of the personal income tax.

At the end of each month, the employer is obliged to transfer the net salaries to the employees' bank account.

## 7. Termination of Employment

If the employment period ends according to the agreement, there are no obligations for either party.

If the employment period ends before the contractual date, the employer is obligated to pay to the employee the full amount of salaries up to the expiration date of the contract. When the employee resigns before the contractual expiry date, he/she is liable for penalties for the remaining period, as determined in the contract.