



# ALBANIA PAYROLL GUIDE 2025

## 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, as amended.

The contribution rates are as follows:

	Social Insurance	Health Insurance
<b>Employer</b>	15%	1.7%
<b>Employee</b>	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 20<sup>th</sup> 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 which is ALL 40,000 and 3.4% for health insurance contributions of the double of the minimum base salary.

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

## 3. Personal Income Tax

Residents are subject to tax on their worldwide income. Non-residents are taxed on their Albanian-source income only. Income tax is assessed in the tax year on a current year basis. Individuals who have annual income greater than 1,200,000 ALL have the obligation to file a personal income return form. Individuals who have untaxed revenues from different sources other than employment, also, individuals who have a second job have the obligation to file personal income return form even though their total annual income might not exceed the amount ALL 1,200,000.

Salaries and wages, including benefits in kinds, are part of the annual taxable income. The annual taxable income is reduced by the compensations and deductions specified under the Income Tax law. If the difference between the annual taxable income and the total amount of compensations and deductions is negative, the annual tax base is considered to be zero.

**Deductions will be as follows:**

Annual income (ALL)	Annual deduction (ALL)	Monthly income (ALL)	Monthly deduction (ALL)
0 – 600,000	600,000	0 – 50,000	50,000
600,001 – 720,000	420,000	50,001 – 60,000	35,000
Over 720,000	360,000	Over 60,000	30,000

#### Compensations:

- An annual compensation amount of ALL 48,000 for each dependent child under the age of 18.
- Education expenses for children under 18 years old up to a maximum value of ALL 100,000 per year. This deduction applies only to individuals with gross annual income below ALL 1,200,000.

The tax rates applicable from 01.01.2025 will be as follows:

Annual taxable income from salary (ALL)		Monthly taxable income from salary (ALL)		Tax rate
From	To	From	To	
0	2,040,000	0	170,000	13%
Over 2,040,000		Over 170,000		23%

#### Declaration of personal status:

- Each employee has the right to benefit from a deduction from the taxable income of their salary only once during a monthly calendar period;
- The personal status declaration, must be signed by both parties (the taxpayer and the employee) before the commencement of the employment relationship (before the first payment of taxable income from employment);
- An employee cannot sign the personal status declaration with more than one employer for the same monthly calendar period. Therefore, if an individual has more than one job in a month, the status declaration is submitted only to one employer, and the deduction is applied only to the payroll submitted by this employer. In the other employer(s), the income tax from employment will be calculated based on the gross salary.

## 4. Employment Procedure

For an employment relationship to be established, the employer must have an in-country legal entities established and registered at the National Center of Business.

The employer and the employee sign the employment agreement which is concluded in accordance with the Albanian Labor Code. Typically, the agreement contains the identity of the parties, the nature of the employee's position, the remuneration method, the agreed working hours, the period of employment, the liabilities of each party. The period of employment could be definite or indefinite. The term of the agreement with definite term cannot be longer than 3 years. The probation period of up to 3 months may also be added to the agreement. In addition, the working hours can be agreed between the parties, but should not exceed 8 hours per day and 40 hours per week. The employer and the employee can also include any other requirement arising from internal requirements, but they always must be in accordance with the local regulations.

The employer registers the new hire with the local tax authority at least 1 working day before start day.

## 5. Protection of Employment

Obligatory payments from the Employer and/or the Social Insurance Institution occur in the following cases:

Type of Leave:	Holidays / Vacations
<b>Entitlement &amp; Eligibility</b>	The annual leave is at least 22 working days during a calendar year (from 1 <sup>st</sup> of January – 31 <sup>st</sup> of December). Annual vacations do not include public holidays. The annual leave is pro-rated in the cases of starters or leavers who have not completed a full working year. The employer should grant the annual leave to the employees during the working year or up to end of the first quarter of the following year. The annual leave cannot be compensated with payment, except of cases where the employment is terminated, and the employee has not taken the holidays due to him up to termination day.
<b>Paid by Whom?</b> (Employer or Government)	Employer
<b>Is this absence recording statutory in your country for payroll reporting?</b>	Yes
<b>Any further actions from the Employer?</b>	No

Type of Leave:	Sick Leave
<b>Entitlement &amp; Eligibility</b>	<p>The employer has the obligation to pay at least 80% of the regular salary for the first 14 days of sickness. All employees are eligible for this compensation. The employee certifies his inability to work through medical report issued by the doctor. If the employee is enabled to work for more than 14 days due to sickness, then from day 15 he/she is compensated from the Social Security Institution.</p> <ul style="list-style-type: none"> <li>- <b>Eligibility:</b> The employee has the right to benefit the sick leave payment from the Social Insurance Institution, if is insured for a minimum period of 3 months.</li> <li>- <b>Duration:</b> The benefit period for temporary disability to work starts on the 15<sup>th</sup> day of the medical report and will last no more than 6 months.</li> <li>- <b>Compensation:</b> 70% of the daily average net salary used to calculate social contributions of the last six months when the employee is insured for less than 10 years and 80% of the daily average net salary used to calculate social contributions of the last six months when the employee is insured for more than 10 years.</li> </ul>
<b>Paid by Whom?</b> (Employer or Government)	Employer: sick leave up to 14 days SSI: sick leave 15+ days
<b>Is this absence recording statutory in your country for payroll reporting?</b>	Yes, the Employer declares the employees on sick leave when submitting the payroll to tax authorities.
<b>Any further actions from the Employer?</b>	<p>Sick leave up to 14 days: Employer has no reporting to make to the local authorities.</p> <p>Sick leave 15+ days: Employer applies on behalf of the employee near the SSI to receive the compensation for sick leave.</p>
<b>Comments</b>	<p>List of documents to apply for the Sick Leave compensation from SSI:</p> <p><u>By the employee:</u>            IBAN number (only local bank account is accepted).            Medical Report for the 1st 14 days (electronic copy from the e-Albania portal)            Medical Report 15 days + (electronic copy from the e-Albania)</p>



Type of Leave:	Maternity Leave
<b>Entitlement &amp; Eligibility</b>	<p>The woman has the right to benefit the maternity leave payment from the Social Insurance Institution, if she is insured for a minimum period of 12 months, for each case of entitlement. The benefit period is 365 calendar days, including a minimum of 35 days before and 63 days after the birth of the child. For a woman who will be pregnant with more than one child, the benefit period will be 390 calendar days, including a minimum of 60 days before and 63 days after the birth of the children.</p> <p>After the mother has taken her mandatory maternity leave of 35 days before and 63 days after the birth of the child, the leave can be transferred to the father of the child. He must have been employed and paid contributions for at least 1 year before the birth of the child and 1 month after the birth of the child.</p> <p>The woman, who adopts a child up to 1 year old and who has been insured for not less than 12 months, is entitled to postnatal maternity leave, which begins on the day of adoption, but not earlier than the 63<sup>rd</sup> of the birth of the child and lasts no more than 330 days from the day of the birth of the child. The minimum leave for the adopter is 28 days. The adoptive father is also entitled to the leave, if the adoptive mother does not exercise or does not have the conditions to exercise this right.</p>
<b>Paid by Whom?</b> (Employer or Government)	Social Security Institution
<b>Is this absence recording statutory in your country for payroll reporting?</b>	Yes, the Employer declares the employees on maternity leave when submitting the payroll to tax authorities.
<b>Any further actions from the Employer?</b>	Employer applies on behalf of the employee near the Social Security Institution to receive the compensation for maternity leave.
<b>Comments</b>	<p>List of documents to apply for the Maternity Leave compensation from the Social Security Institution:</p> <p><u>To be provided by the employee:</u>            IBAN number (only local bank account is accepted)            Medical Report (electronic copy from the e-Albania portal)            Baby's birth Certificate</p> <p>Compensation. Maternity leave income for the insured woman is:</p> <p>a) 80 percent of the daily average net salary used to calculate social contributions of the last twelve months for the prenatal period and for 150 calendar days after birth.</p> <p>b) 50 percent of the daily average net salary used to calculate social contributions of the last twelve months for the following period.</p>

Type of Leave:	Work accident
Entitlement & Eligibility	Accidents are considered as such when they happen during the employee's working hours or during extra hours connected to employee's work. In such cases the employer is obliged to notify the Institute of Labor Inspection. All insured employees are entitled to get compensation from the SSI regardless from the period of employment. The benefit period is up to 12 months.
Paid by Whom? (Employer or Government)	Compensation is made from SSI (Government).  The employer is obliged to pay the difference between the damage caused to the employee and the actual remuneration received from the SSI, when the accident at work is a consequence of severe faulty behavior of the employer.
Is this absence recording statutory in your country for payroll reporting?	Yes, in the cases when there is a temporary inability to work. the Employer declares the employees on work accident leave when submitting the payroll to tax authorities.
Any further actions from the Employer?	Employer applies on behalf of the employee near the SSI to receive the compensation for accident at work.
Comments	List of documents to apply for work accident compensation from SSI:  <u>To be provided by the employee:</u> IBAN number (only local bank account is accepted) Medical Report (electronic copy from the e-Albania portal)  <u>To be provided by the employer:</u> Work Accident Leave Form Application Compensation: 100% of the daily average net salary used to calculate social contributions of the last six months.

Type of Leave:	Other paid leaves
Entitlement & Eligibility	<p><b>Paternity leave:</b> in case of childbirth the father is entitled to 3 days of paid leave.</p> <p><b>Marriage leave:</b> Employees are entitled to 5 days of paid leave.</p> <p><b>Family member death leave:</b> All employees are entitled to 5 days of paid leave in case of death of a family member (spouse, parent, sibling, child).</p> <p><b>Childcare leave:</b> the parents are entitled to up 12 days paid leave per year in cases of necessary childcare matters.</p> <p><b>Child sickness leave:</b> Employees who have in their care children up to three years old are entitled to up 15 days paid leave per year, when their children are sick certified with a medical report.</p>
Paid by Whom? (Employer or Government)	Employer

Type of Leave:	Unpaid Leave
Entitlement & Eligibility	<p><b>Parental Leave:</b> Each employee who is working for more than a consecutive year with the same employer and with a child under the age of 6, has the right to apply for unpaid leave to care for the child for a period not less than 4 months. The duration of the parental leave is defined with mutual agreement between the employer and the employee.</p> <p><b>Child sickness:</b> Employees who have in their care children up to three years old are entitled to up 30 days of unpaid leave per year (additional to the paid leave days), when their children are sick certified with a medical report.</p> <p><b>Family member illness:</b> in case of severe illness of family members family member (spouse, parent, sibling, child), certified by a medical report, the employee benefits up to 30 days of unpaid leave.</p>
Is this absence recording statutory in your country for payroll reporting?	These absences are applied in the payroll to deduct these days from the salary.

## 6. Payroll Calculation Procedure

Payroll calculation depends on the number of days or hours the employee has worked during the relevant month and other variable pay elements. The gross salary is calculated and then all statutory contributions regarding wage tax and social security are calculated and deducted from the monthly gross salary. The net salary is paid to the employee while the deductions are forwarded to the relevant authorities.

### Regular country payroll cycles

Frequency	Pay day	Taxation rule	Comments
<b>Monthly</b>	At the end of the month	Monthly	The common practice is payment on monthly basis.
<b>Bi-weekly/fortnightly</b>	Every two weeks	Taxation happens in the last payment period of the month.	<p>Tax calculated monthly instead of bi-weekly/fortnightly.</p> <p>In Albania the salary is paid every two weeks, when salary is calculated on hourly/day basis and at the end of each month when is calculated in monthly basis.</p>

### Additional country payroll cycles

Additional country payroll cycles are not applicable in Albania. Some companies offer the 13<sup>th</sup> salary bonus. The payment is done with the regular cycle. However, this kind of remuneration is not mandatory by law.

### Variable pay elements

Variable	Important notes
<b>Overtime</b>	Overtime is any additional working hour performed above the normal daily working hours or normal weekly working days. Overtimes must be compensated within 2 months from occurrence. Compensation is 125% of the regular salary or time off equal to 125% of the overtime. Overtime on weekends or official holidays is compensated with payment 150% of regular salary or equivalent time off. The employer cannot ask to the employee to work overtime when the employee has already performed 48 working hours per week. In special cases, for a period up to 4 months, can be worked with more than 48 hours in a week, but the average weekly working time, for this period, should not exceed 48 hours. Total number of overtimes should not exceed 200 hours per year.
<b>Shift hours</b>	Shift hours is the work done between 7.00 pm to 6.00 am. Work from 7.00 pm to 10.00 pm is paid 120% of regular pay. Work from 10.00 p.m. to 06.00 a.m. is paid 150% of regular pay.
<b>Sunday work</b>	Compensation is 125% of the regular salary or time off equal to 125% of the work.
<b>Non-working days work</b>	Same as above (Sunday work)
<b>Bonus, Incentives, 13<sup>th</sup> salary</b>	Regular bonus and incentives are added to the gross salary and are subject to Social Security and Income Tax deductions. While once off bonuses are subject only to income tax.
<b>Deduction (garnishment, alimony, etc.)</b>	The regular deductions are Social & Health Security Contributions and Income Tax. It is invalid to mortgage future wages, unless the employee must comply with a court decision, which should not affect the minimum salary. It is prohibited for the employer to impose fines except of fines set out in the collective agreement.



## 7. Termination of Employment

### 7.1 Types of termination

**Termination from the Employee Undefined Employment Agreement.** Employee has the obligation to communicate the event and submit in written form the resignation letter to the employer respecting the notification terms.

**Termination from the Employer Undefined Employment Agreement.** Procedure to be followed by the employer:

- a) Send a written notification for the organization of a meeting with the employee, at least 72 hours before the meeting and negotiate with him/her the reasons for the contract termination.
- b) The written notification can be sent by e-mail.
- c) The negotiation can take place at least 72 hours from the delivery of the notification. There is no specific provision in the Labor Code about the possibility to organize the meeting through online communication, but it is not prohibited. The only important thing is to prove it has taken place.
- d) The employer, during this conversation submits to the employee the reasons for his future decision and gives him/her the possibility to express his/her opinions.
- e) It is possible that the employee fails to be present. In this case, it is important to prove (because you have the burden of proof) that he/she has received the written notification.
- f) After the negotiation another written notification is sent to the employee in which it is notified the termination of the contract. This new notification is sent within 48 hours up to one week, after the meeting.

**Immediate termination with justified reasons.** Justified reasons are considered all severe circumstances which do not allow, according to the principle of good faith, to the one who has asked the termination to continue the employment relationship. Same procedure as above to be followed.

**Termination of Defined Employment Agreement.** When such an agreement reaches the end of the agreed period and the Employer/Employee doesn't wish to renew the contract, the employment is terminated without any further documentation.

**Unjustified dismissal from Employer.** The employee has the right to sue the employer within a period of 180 days.

### 7.2 Termination notification terms

- a) **Indefinite term:** The parties may terminate the employment at any time with a prior written notice of:
  - o 5 days during probation period
  - o two (2) weeks in case the duration of the employment relationship is less than or equal to six (6) months
  - o one (1) month in case the duration of the employment relationship has exceeded six (6) months and up to two (2) year
  - o two (2) months in case the duration of the employment relationship has exceeded two (2) years and up to five (5) years
  - o three (3) months in case the duration of the employment relationship has exceeded 5 years and in continuance.
- b) **Definite term:** The employment terminates at the end of the fixed term, without prior solution.

### 7.3 Severance pay

- a) Termination from the Employer according to notification terms. The employer has to pay:
  - o Salary during notification period
  - o Seniority bonus when the employment lasted for more than 3 years. The seniority bonus is at least as much as a half-month salary, over each full year of work, calculated on the basis of the salary that exists at the end of the employment relationship. When the salary is variable, the remuneration is calculated above the average salary of the year
  - o Untaken annual leave on prorated basis
  - o Annual bonuses or other compensations on prorated basis

- b) Immediate termination with justified reasons: The employer has to pay:
  - Salary until last working day
  - Untaken annual leave on prorated basis
- c) Unjustified dismissal from Employer. The employer has to pay all obligations as per point 1 as above + 1 year salary.

## **8. Contact**

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