

Albania

Legal Environment for Philanthropy in Europe 2024

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I. Legal framework for foundations

- 1. Does the jurisdiction recognise a basic legal definition of a foundation? (please describe) What different legal types of foundations exist (autonomous organisations with legal personality, non-autonomous without legal personality, civil law, public law, church law, corporate foundations, enterprise foundations, party political foundations, family foundations, foundations of banking origin as a specific type, companies limited by liability, trusts)? Does your jurisdiction recognise other types of philanthropic organisations?**

Foundations are private law legal persons, which are regulated by Arts. 54-63 of the Albanian Civil Code (“ACC”) as well as by Law no.8788 of 7 May 2001 “On Non-Profit Organisations” as amended; (“NPO Law”); Law no.8789 of 7 May 2001 “On the Registration of Non-Profit Organisations” (“NPO Reg. Law”); and Law no. 80/2021 “On the Registration of Non-Profit Organisations”, amended. Foreign foundations perform their activities in Albania in compliance with the Albanian Constitution and the legislation of non-profit organisations.

The ACC provides in Art. 54 a definition for foundations as follows: “A foundation is a non-membership legal person whose object is the attainment of a lawful goal through the disposition of its own assets for the benefit of and in the interest of the public.”

Foundations are governed by civil law, have their own legal personality and can be established by one or more natural or legal persons either *inter vivos* or by way of a will. Foundations in Albania can be established only “for the benefit of and in the interest of the public”. Activities for the benefit of and in the interest of the public imply, among others, activities which relate to and encourage as well as support the development of spiritual and humanitarian values; protection of human life and health; provision of public and social services; provision of assistance in case of catastrophes; protection of the environment; development; and encouragement of cultural, historical, educational, and scientific values, as well as the promotion of democracy.

The regulations in place do not require the registration or licensing of religious groups. However, a religious group must register with the Tirana Judicial District Court as a non-profit organisation to qualify for certain benefits, including opening a bank account, owning property, and being exempt from certain taxes. If this is the case, the religious organisation is subject to the relevant legal provisions as any other non-profit organisation duly established and registered in the Republic of Albania.

Also, there are five religious communities established in Albania by specific agreements with the Albanian government. These are the Orthodox Church, Catholic Church, Muslim Community, Bektashi Community, and Albanian Evangelical Brotherhood Community. These bilateral agreements codify arrangements pertaining to official recognition, property restitution, tax exemptions on income, donations and religious property, and exemption from submitting accounting records for religious activities.

- 2. If your jurisdiction provides for different laws for different foundations/philanthropic organisations, please indicate this here, and then specify under further relevant questions whether a different answer applies to these types of foundations/philanthropic organisations.**

There is the Law no.8788 of 7 May 2001 “On Non-Profit Organisations” that regulates the establishment and functioning of not-for-profits, including foundations. There is only one type of foundation as addressed in question 1 and further.

3. What purposes can foundations legally pursue?¹

- Only public-benefit
- Both public- and private-benefit

4. What are the requirements for the setting up of a foundation (procedure, registration, approval)? What application documents are required? Are there any other specific criteria for registration?

If a foundation is created *inter vivos*, the ACC requires that the foundation deed be made in writing in the form of a public deed by a notary public. However, if a foundation is established by way of a will, the legally required form for a testament is accepted as a foundation deed (Art. 55 of the ACC).

Details required to be contained in the foundation deed include the foundation's goal and object of activities; name of the foundation and identity of the founder(s); whether the foundation is established for a limited or unlimited period of time; as well as the source and the value of assets necessary for the fulfilment of the foundation's goals.

The foundation's statutes or charter is the main document setting out in detail the internal organisational structure; the organisation's governing and executive bodies and their competencies; the procedure for amending the statutes and the foundation deed, as well as the procedure for the transformation or liquidation of the organisation. The foundation deed and the statutes must be signed by the founder or founders and made through the notarial deed before a notary public.

The establishment (including registration) of a foundation in Albania is finally affected by the decision of a sole judge in the Tirana Judicial District Court. Registration of foundations, to gain legal personality, is centralised and takes place only at this court (Arts. 4 and 5 of NPO Reg. Law). For foundations established based on a testamentary deed, the request for initial registration must be accompanied by all the data required by law for the registration of non-profit organisations. In addition to this request, the will and the statutes, if drafted and approved by the executor of the will, should also be submitted (Art. 12 of the Reg. Law no 80/2021).

The Court may refuse the registration request if any of the founders or members of the decision-making bodies of the foundations are in the official blacklist prepared and available according to the legislation in place for measures against terrorist financing.

5. Is state approval required? (approval by a state supervisory authority with/without discretion)

- Approval by a state authority with discretion
- Approval by a state authority without discretion
- Approval by a court
- Notarisation by a notary public

6. Are foundations required to register?

- a) If foundations must register, in what kind of register?
 - Company register

¹ This question focuses only on public-benefit foundations (see the definition in the [glossary](#) developed for this project).

- Foundation register at national level
- Foundation register at the regional/county level
- Beneficial ownership register
- Any other public register (other than a foundation/charity one)

b) If foundations are registered, what information is kept in the register?

According to Art. 14 of Law 80/2021, the information kept in the register of foundations includes: name of foundation; establishment date; and founders' identification data, specifying in each case the name, surname, place of birth, date of birth, address of residence, identity number, and their electronic contact details. In cases where the founder is a legal entity, the mandatory data to be registered includes: name of the legal entity; legal form; unique identification number; date of establishment and registration; headquarters; name of the legal representative of the entity or persons responsible for representing the entity in relation to third parties; and electronic data of their contact.

The following further information on the foundation must be provided: headquarters; purpose and scope of activity; duration, if specified; the members of the governing bodies, giving in each case their name, surname, place of birth, date of birth, identity number, as well as their electronic contact details; identification data of persons responsible for the administration and representation of the foundation in relation to third parties, specifying in each case the name, surname, place of birth, date of birth, address of residence, identity number, their electronic contact details, powers of representation, as well as the terms of their appointment; the composition and property value of the founding fund; and the signatures' specimen of the persons representing the non-profit organisation towards the third parties.

c) If foundations are registered, is the register publicly available?

- Yes, all information publicly accessible
- Yes, some information publicly accessible
- Yes, accessible upon request
- No

The electronic registry, which was planned to be functional on 30 December 2023 as per Law 80/2021 and the High Judicial Council's decision, has not yet been created, and foundations continue to register at the Tirana Judicial District Court under Law 8788/2001. When the electronic register is functional, it will be publicly accessible.

7. Is a minimum founding capital/endowment required?

- No
- Yes, amount:

But the amount is not specified in the law. In practice, the court accepts a minimum value of approximately €715 as a minimum capital for foundations.

8. Is the foundation required to maintain these assets or any other specified asset level throughout its lifetime? Are spend-down foundations allowed?

No legal specification on this.

9. What governance requirements are set out in the law? Is it a one-tier or two-tier foundation governance model?

a) Is it mandatory to have a:

- Supervisory board
- Governing board

b) What are the requirements concerning board members? Is a minimum/maximum number of board members specified? Does the law regulate the appointment of board members and their resignation/removal, or can this be addressed in the statutes/bylaws?

Article 17 of the NPO Law requires that the first board members be included in the foundation's statutes upon registration as a legal person, which implies that the first board members are appointed by the founder. Other than that, there are no other specific requirements set out in the law regarding board members. Moreover, foundations are free to define in their statutes what specific requirements board members should fulfil. Foundations may also determine the procedure for the appointment or dismissal of the board members.

Regarding the minimum or maximum number of board members, the NPO Law requires that where the foundation's statutes do not otherwise specify, the board (i.e. the highest decision-making body of the organisation) must have no fewer than three members. (Art. 24 of NPO Law). As already noted, the foundation has the freedom, however, to establish in its statutes that the board has fewer than three members.

c) What are the duties and what are the rights of board members, as specified by national legislation or case law?

According to the NPO Law, the board is a collegial body, and the rights and duties of the board are exercised in a collegial way, rather than individually by the members. Article 20 of the NPO Law sets out the rights and duties of the board. As the highest decision-making body of a foundation, some of the key rights and duties of the board include the right to amend the foundation's statutes; to define the main policies and strategies of the organisation; to approve the annual accounts as well as the budget of the organisation; the right to elect or appoint and dismiss the members of the executive body; as well as the right to issue a regulatory framework necessary for the proper functioning of the organisation.

The law No. 92/2013 "For some additions and changes on Law no.8788, date 07/05/2001 "For Non- Profit Organizations" amends the existing NPO Law with the view to strengthening the role of the board in preventing the use of the organisation's resources for financing terrorism, and gives the board the additional duty to oversee the activity of the organisation with this focus in mind. In this respect, the board is expected to work closely and communicate intensively with the executive body to ensure that the organisation complies with the respective legislation on the prevention of money laundering and financing of terrorism.

d) What are the rights of founders during the lifetime of the foundation? Can fundamental decisions, such as change of purpose, be made at the discretion of the founder? What are the legal requirements in such circumstances?

The law is silent concerning the rights of the founders. As soon as a foundation gains legal personality, the highest decision-making body of the foundation becomes the board of directors or the supervisory board (names can vary). The founder may still serve as a board member with the respective rights and duties. However, in practice, the courts have not been opposed to the founder playing an important role in the management of a foundation,

despite the existence of a board as the highest decision-making body. This may include the founder(s) having veto powers with regard to decisions made by the foundation's board when such powers have been stipulated in the foundation's statutes. However, decisions regarding changing the purpose of the foundation are expected to be made by the foundation's board as the highest decision-making body of the organisation.

- e) Can the board or the founder amend the statutes including the purpose of the foundation? If yes, please indicate any particularities. What is the relationship between the powers of the founders, the statutes of the foundation and the power of the board members?

See above.

- f) What are the rights of third parties (e.g. right of information)?

The Law 25/2018 on "Accounting and Financial Statements", stipulates new requirements for non-profit organisations, including foundations that have a value of total assets or income over ALL 30 million (~ €310,000). They are obliged to prepare a performance report and publish it along with the annual financial statements on their official websites. In addition, these CSOs are also obliged to submit to the Tirana Judicial District Court the financial statements. Foundations falling below this threshold have no legal obligation towards public information.

Also, foundations are required to submit to the financial institution (second-tier banks) with whom they operate any changes registered at the Court.

- g) What rules are in place to ensure against conflict of interest? What is the legal definition of a conflict of interest under your legislation? How is self-dealing prohibited?

Articles 26 and 27 of NPO Law require that board members, either of the supervisory or executive board, avoid conflicts of interest in their dealings with the organisation. The foundation may, through its statutes, define specific rules regarding what is considered a conflict of interest and how these conflicts are to be resolved.

Article 26 of the NPO Law requires that when a foundation enters into a contract with a board member, such contracts may be allowed only after receiving prior approval by the supervisory board. The supervisory board may allow such contracts only when they serve the fulfilment of the foundation's purpose, are fair to the organisation, and are at market rates. "At market rates" implies namely that the foundation shall not pay more for goods or services than it would normally pay if it obtained those goods or services in the same quality, in the same amount or for the same conditions on the open market.

Additionally, members of the supervisory or executive board cannot participate in the discussion when the relevant board is discussing a contract or agreement between the foundation and that board member or between the foundation and another person, either natural or legal to which that board member is related, or in which that board member has an economic or personal interest.

When the procedures for the avoidance or resolution of conflict-of-interest situations have not been followed, the foundation may file a claim with the court to declare the agreement or contract void and may also require compensation for damages. In this case, the claim in the court may be filed by the executive director or by the head of the executive body of the organisation.

h) Can staff (director and/or officers) participate in decision-making? How and to what extent?

Paid staff cannot become a member of the highest decision-making body of a foundation. They may participate in board meetings, with no voting rights, however.

10. What is the liability of the foundation and its organs? What is the general standard of diligence for board members? (e.g. duty of obedience, duty of care/prudence, duty of loyalty)? In what type of rule are these criteria established: fiscal, administrative, civil, commercial? Is there a solid case law, if any, regarding the duty of due diligence? Does your country differentiate between voluntary (unpaid) and paid board members? Who is allowed to bring a complaint about breaches of such duties: the other members of the board, the founder/s, the public authorities? If a complaint is brought, which authority has competence in such cases: administrative, tax authority, only the judiciary power (attorney general) or beneficiaries/general public?

Normally, members of the steering organs or employees of a foundation are not liable for damages caused to third parties in the course of their duties on behalf of the foundation. The only case when these persons may be held liable is when they cause damages to third parties by acting intentionally or by gross negligence (Art. 25 of NPO Law). It is also in these cases that a foundation may seek recourse from the person or persons acting in breach of the law (Art. 32 of ACC).

According to the law No. 92/2013, a foundation may be held criminally or civilly liable for actions carried out by a member of one of its organs or by one of its employees. Holding an entity that is a legal person criminally liable is a novelty in Albanian legislation, however, with few or no examples in practice so far. When a foundation is found to be liable, it must compensate the damaged party for the damages suffered.

According to the Law no. 97/2018, "For some changes and amendments to the Law on Tax procedures in the Republic of Albania", the court may proceed with a de-registration request of a foundation only when tax authorities confirm that there are no pending obligations from the foundation. However, if pending tax obligations are discovered after de-registration, the tax authority may assess or collect them by force (Art. 45, point 8), holding the legal representative accountable even after the foundation has ceased existing.

Does your country differentiate between voluntary (unpaid) and paid board members?

The NPO Law does not differentiate between paid and unpaid board members.

Who can claim responsibility for breaches of such duties: the other members of the board, the founder/s, the public authorities. In which case who: administrative, tax-authority, only the judiciary power (Attorney General) or beneficiaries/general public?

They will be personally liable for damages caused by intent or severe negligence while acting on behalf of the organisation.

In cases where the procedures for the avoidance or resolution of conflict-of-interest situations have not been followed by a board member, the foundation may file a claim with the court to declare the agreement or contract void and may also require compensation for damages. In this case, the claim in the court may be filed by the executive director or by the head of the executive body of the organisation.

11. Who can represent a foundation towards third parties? Is this specified in law or is it up to the statutes of the organisation? Do the director and officers have powers of representation based on legislation?

The [existing NPO Law](#) provides explicitly in [Article 22](#) paragraph (b) that a non-profit organisation is represented vis-à-vis third parties by the executive body or the executive director.

12. Are purpose-related/unrelated economic activities allowed? If so, are there other types of limitations on economic activities (related/unrelated)?

A foundation may conduct economic activities as a means to generate income for the achievement of its goals. The economic activities can be conducted within the legal structure of the foundation without the entity having to register as a separate legal person.

However, the economic activity or activities: (i) must comply with the foundation's purpose and goals; (ii) must have been declared as one of the sources of income; and (iii) must not be the main activity or the main goal for which a foundation is established (Art. 36 of NPO Law and Art. 56/1 of ACC).

According to The Decision No. 953, dated 29.12.2014 "For Implementation of Dispositions of Law no. 92/2014", "For Value Added Tax in Republic of Albania" Amended, (Art. 3) the total income from economic activity, as a secondary activity of the organisation (including here the foundation), should not be higher than 20% of the total annual income. The legal definition of "total income" means all financial sources, including supplies and subsidies.

However, all income generated should be used for achieving the goals or purposes specified in the foundation's statutes and/or in the founding act.

13. Is there any legal/fiscal framework for grantmakers to be able to fund legal entities that are conducting economic activities in addition to their public-utility activities? If any, what are the limitations for funding those kinds of legal entities?

The NPO Law requires only that the assets of a foundation are used solely to realise the organisation's goals and purposes and that the organisation manage and maintain these assets. In this respect, a foundation may use its assets to allocate funds towards furthering their public-benefit purpose income. However, the granting of loans is an activity strictly reserved to financial institutions which are regulated through a special law. Therefore, foundations may not grant low-interest loans, since this would contradict legislation on financial services.

Notwithstanding, foundations may use their assets to provide financial assistance for persons in need, but at the same time observe the principles of non-distribution of profit and avoid conflicts of interest should persons obtaining financial assistance be in a family relationship with board members or other persons in leading positions in the organisation.

14. Are foundations permitted to be major shareholders in a company? Are there any limitations to voting rights? Is this considered as an economic activity? Are foundations allowed to engage in active ownership of companies that they own (for example through board representation, informal strategy discussions or the right to be consulted on key issues such as CEO succession)?

There is no legal provision which would prohibit a foundation from being a major shareholder in a company. However, from a tax point of view and depending on different

elements of the context, the corporate tax exemption of this foundation might be challenged (see answer to Section II, question 14e).

15. Are there any rules/limitations in civil and/or tax law regarding foundations' asset management (only secure investments/bonds/investments with a certain return)? What, if any, types of investment are prohibited? Are there any limitations on mission-related investments?

The law does not set out rules or limitations regarding foundations' asset management, except for the general requirement that a foundation's assets should be used for the foundation's goals and purposes. In this respect, no asset may be distributed for the personal profit of members of the board or employees except for reasonable salaries or remunerations in accordance with the foundation's statutes.

Article 56/1 of ACC stipulates that a foundation may own movable or immovable property, may generate income from the administration or management of this property and that all income generated must be used only for the realisation of the foundation's purpose. Additionally, Article 35 of the NPO Law states that a foundation may claim expenditures for the maintenance of its assets, but does not specify any rule about maintaining the value of the assets.

A foundation's statutes may contain prohibitions or other limitations regarding how the assets are to be invested. However, these prohibitions or limitations are individual for each organisation.

16. Are foundations legally allowed to allocate grant funds towards furthering their public-benefit purpose/programmes which (can) also generate income – impact investing? (recoverable grants; low interest loans; equities)

The NPO Law requires only that the assets of a foundation are used solely to realise the organisation's goals and purposes and that the organisation manage and maintain these assets. In this respect, a foundation may use its assets to allocate funds towards furthering its public-benefit purpose income. However, the granting of loans is an activity strictly reserved for financial institutions which are regulated through a special law. Therefore, foundations may not grant low-interest loans, since this would contradict legislation on financial services.

Notwithstanding, foundations may use their assets to provide financial assistance for persons in need, but at the same time observe the principles of non-distribution of profit and avoid conflicts of interest should persons obtaining financial assistance be in a family relationship with board members or other persons in leading positions in the organisation.

17. Are there any limitations (in civil law/tax law) to political party related or general lobby/advocacy activities?

No, there is no restriction. In any case, the decision on 61/ 2018 "For Approval of Code of Conduct of Members of Parliament" (Art. 22) stipulates the creation of registers for (i) lobbying and (ii) civil society organisations. It requires all NPOs and interest groups participating in the legislative process to be registered. While Article 21 requires all MPs and parliamentary commissions to make public the subject of meetings of NPOs and interest groups, and support it with relevant documentation.

In any case, NPOs cannot participate in any electoral race or cannot be part of any electoral list.

18. What are the requirements for an amendment of statutes/amendment of foundations' purpose?

The procedure for amending the statutes should be specified in the statutes of the foundation. Article 18 of the NPO Law requires the highest decision-making body of the foundation to approve the amendments. The statutes may specify whether the amendments to the statutes should be approved by a simple or qualified majority. The quorum for the highest decision-making body is 50%+1 of the members of the body, and the decisions are normally made by a simple majority of the present members.

19. What are requirements with regard to reporting, accountability, auditing?

a) What type(s) of report must be produced?

- Annual financial report/financial accounts
- Annual activity report

It is not an activity report but a performance report and only for those foundations with income or assets that have a value of total assets or income over ALL 30 million (~ €310,000).

- Public-benefit/activity report
- Tax report/tax return

Monthly VAT report if the foundation is registered for VAT.

- Other reports e.g. on 1% schemes
- Reports on governance changes (e.g. new board members)

Submission of governance changes with the Tirana Judicial District Court and the second-tier bank of the foundation.

- Report on conflict of interest (self-dealing and conflict of interest breach cases)

NB: Beneficial owners must be registered as well (see answers to Section VI, questions 4 and 5).

b) Must all/any of the reports produced by the foundation be submitted to supervisory authorities? If so, to which authorities (e.g. foundation authority, tax authority)?

Foundations must submit these reports:

- Payroll including social and health insurance (the employees and employer contributions), and tax on personal income, on a monthly basis to the Regional Tax Office
- Purchases of books, sales of books, on a monthly basis to the Regional Tax Office
- VAT declaration, on monthly basis to the Regional Tax Office
- Financial Statement, on a yearly basis to the Regional Tax Office
- Financial Statements and Performance Report (for NPOs that have a value of total assets or income over ALL 30 million (~ €310,000) should be also deposited with the Court within 7 months from the reporting date.
- Declaration of new hiring to the Regional Tax Office, 24 hrs before actual day of employment.
- Declaration for exit of an employee up to 10 days after
- Withholding tax on rent and/or service, on a monthly basis
- List of employees (including name, position, and personal data), on a quarterly basis to Regional Labour Office

c) Are the reports checked/reviewed? By whom (supervisory/tax authorities)?

Tax authorities as well as authorities dealing with the prevention of money laundering and the financing of terrorism.

The supervisory board of the foundation must approve the financial statements, which should provide detailed information on the financial and material sources, their usage and the assets of the foundation (Law no 92/2013, Art. 20, point ç). This authority of the supervisory board is also stipulated in the Law 25/2018 (Art. 23).

d) Do any or all of the reports and/or accounts of foundations need to be made publicly available? If so, which reports and where (website, upon request)?

Only the foundations that have a value of total assets or income over ALL 30 million (~ €310,000) are obliged to publish on their website the financial statements and the performance report (Law no. 25/2018, Art. 22).

e) Is external audit required by law for all foundations?

No. The law does not require an external audit for all foundations. However, foundations are free to audit their accounts, and audit may be requested by the tax authorities.

f) By whom should audits be undertaken? Do requirements/guidelines exist regarding international and national auditing agencies and standards?

Audits may be undertaken only by an external auditor. The auditing report by the auditor shall comply with the International Auditing Standards as compiled by the International Federation of Accountants (Art. 2.14 of Law no.10091 of 05.03.2009 "On the Legal Auditing and on the Organisation of the Profession of the Registered Auditor and Chartered Accountant").

20. Supervision: Which authority, what measures?

a) What type of body is the supervisory authority? (multiple answers possible)

A public administrative body

Albanian Intelligence Agency and Central Business Registration that manages the Beneficial Owners Register

A public independent body

A combination of a governmental body and a court

A court

A public administrative body and an independent body

A tax authority

Other

b) Does the supervisory body review reports?

Yes

No

c) Are foundations subject to inspection?

Yes

No

d) Is approval from the authority required for certain decisions of the governing board?

- Yes, formal approval is needed
- Yes, needs just to be informed
- No

If yes, please specify which type of decisions:

Any changes related to the status of the foundation, legal form, legal representative name, board members, and address of the foundation, need to be deposited to the Court.

e) Is it mandatory to have a state supervisory official on the governing board?

- Yes
- No
- Can a government official be appointed to the governing board by a state authority, if so please mention:

f) What enforcement measures are in place (including compliance measures and sanctions for non-compliance) concerning registrations, governance, reporting, and public-benefit status?

Article 60 of the ACC provides that the head of a supervisory authority may ask the Court to cancel a decision of the foundation bodies when such a decision contravenes the purpose of the foundation, the foundation deed, or the requirements of the law. Additionally, a foundation's VAT exemption status may be revoked when the requirements of the tax laws are no longer met.

According to Law 80/2021, foundations and persons authorised to make the registration shall be responsible according to the laws in force for the authenticity of the facts, the notified data, and the accompanying documents filed with the electronic register. The declaration of false data in the electronic register, when it does not constitute a criminal offence, constitutes an administrative contravention and is punishable by a fine from 0.1% to 1% of the annual income declared by the non-profit organisation. Failure to fulfil the obligation for the initial registration and other mandatory registrations, within the terms provided by this law, constitutes an administrative offence and is punishable by a fine from 0.1% to 1% of the annual income declared by the non-profit organisation. In any case, the amount of the fine, according to the paragraphs above, cannot be less than ALL 30,000 (~ €310).

Law No. 112/2020 "For the registration of the Beneficial Owners", amended, stipulates administrative sanctions related to (i) initial non-registration of data for the beneficial owner within 40 (forty) days is punished with a fine in the amount of ALL 600,000 (~ €6,200); (ii) not recording any changes in the recorded data, which are deposited in the register, is punished with a fine in the amount of ALL 400,000 (~ €4,100).

21. When and how does a foundation dissolve?

Pursuant to Articles 43 and 44 of the NPO Law, a foundation may be dissolved voluntarily through a decision of its highest decision-making body. Additionally, the Court may force the dissolution of a foundation when its activity contravenes the Albanian Constitution, when a foundation has carried out unlawful activities, when it has not been established in compliance with the requirements of the law, or when a foundation has become insolvent. After the dissolution, the remaining assets of the organisation will go to other organisations as stipulated in the decision of the highest decision-making body. When the dissolution is

ordered by the Court, the remaining assets will go to organisations pursuing similar goals to those of the dissolved foundation. The Court shall decide which these organisations are.

Additionally, foundations may also be transformed into or merged with a centre (another form of non-membership, non-profit organisation) or broken up when the statutes allow. Foundations, which are not registered in the tax administration, and do not apply for registration in the tax administration within 12 (twelve) months from the entering into force of this law, are deregistered from the register of non-profit organisations (Art. 50, Reg. Law 80/2021).

22. Is there a maximum that can be spent on office/administration costs in civil law and/or tax law? If yes, what is the amount?

No.

23. Does civil and/or tax law require a foundation to spend a certain percentage of its overall assets within a certain period of time (e.g. within the next financial year)? In particular, can a foundation accumulate these expenses over a period of time (and if so, what kind of authorisation is required to do so)?

No.

24. Under what conditions does the civil law in your country recognise a foreign foundation? Do they have to register? Does your law recognise the concept of trusts?

Foreign foundations may operate either temporarily or permanently in Albania. Foreign foundations wishing to carry out activities in Albania for a period of time longer than six months need either to be established as a foundation under Albanian law or to register a branch in Albania. In the latter case, the same legislation as for the establishment of Albanian foundations applies.

Foreign foundations wishing to operate in Albania for a period of time longer than thirty consecutive days but not longer than six months may apply for a permit to carry out activities temporarily. The permit is issued by the governmental authority that operates in the same or similar fields of activities in which the foreign foundation wishes to operate.

Foreign foundations enjoy the same rights and duties as domestic foundations, except when otherwise stipulated by international agreements.

25. Does the law in your country allow a foundation to conduct (some or all) activities (grant-making, operating, asset administration, fundraising) abroad? Is there any limitation?

There are no limitations in civil law.

26. Does the law in your country impose any restrictions on ability to receive donations from abroad? If so, please describe.

None.

27. Does the civil law in your country allow the transfer of the seat of a foundation (in the EU) and/or cross-border mergers?

Yes, it does allow this.

II. Tax treatment of foundations

1. What are the requirements to receive tax exemptions?

- Pursuing public-benefit purposes
- Non-distribution constraint
- Being resident in the country
- Other

Foundations are exempted from corporate-profit tax when they carry out the activities enumerated in Article 18 of the Income Tax Act. These activities include religious, humanitarian, benevolent, educational or scientific activities and comply with the non-distribution of profit constraint. Incomes generated through activities other than those enumerated above are subject to corporate-profit tax. Additionally, regardless of the activities they carry out, foundations are exempted from corporate-profit tax on the donations they receive.

The Decision No. 953, dated 29.12.2014 “For Implementation of Dispositions of Law nr. 92/2014”, “For Value Added Tax in Republic of Albania” Amended (Art. 13), abrogated the Government Decision no. 1679, dated 24.12.2008, “Criteria and Procedures for Determining the Public Benefit Status of Non-profit Organizations”.

The same decision (Art. 2) establishes the new criteria for VAT exemption of supply activity of the NPOs. This activity should be social, educational, cultural or sport-related in nature. Exempted from this procedure are the non-profit organisations that perform economic activity exempted from VAT by law such as health and education services in compliance with the Art. 51, Law no 92/2014 date 24.07.2014 On VAT in the Republic of Albania.

Goods and services should be offered based on approved prices by competent authorities. In cases where the prices are not approved, they must be lower than market prices for the same services. VAT exemption status is not applied on services and goods purchased by the foundation as part of its economic activity, but it does apply to imported goods for the sake of its non-profit activity.

The foundation should meet three criteria at once in order to qualify for the exemption: (i) the governing bodies should not have a vested interest in the activity of the foundation; (ii) the not-for-profit activity should precede the economic activity; and (iii) the total income from economic activity, as a secondary activity of the foundation, should not be higher than 20% of the total annual income.

The VAT exemption procedure (Art. 3) requires submission to the Regional Tax Office of a set of documents such as registration court decision, statutes and incorporation act; statement of all services and goods offered and price list; mission statement and main programmatic areas; list of beneficiary groups; and financial resources including expected income from economic activity.

The VAT exemption is valid for three years for the right of renewal. When applied for the first time, the status is valid for one year.

2. What are reporting/proof requirements to claim tax exemptions?

The VAT exemption procedure (Art. 3) requires submission to the Regional Tax Office of a set of documents such as registration court decision, statutes and incorporation act; statement of all services and goods offered and price list; mission statement and main programmatic areas; list of beneficiary groups; and financial resources including expected income from economic activity.

3. Is specific reporting required for the use of public funds (grants received from public bodies/state/municipality/etc.)?

No, but foundations will be subject to inspections by state authorities (e.g. The State Audit) with regard to these funds.

4. Is there an obligation to report to public authorities on donors and beneficiaries? If so, to which authority and what type of information?

Such obligation exists only for foundations (NPOs) with a value of total assets or income over ALL 30 million (~ €310,000) as part of their Performance Report. The report should be published on the official website of the foundation (Law no. 25/2018).

5. Is there a statutory definition of what a public-benefit purpose (charitable purpose) is in the civil law (foundation law, trust law) of your country? If yes, please give us the definition. If so, is the determining definition that subsequently links to tax benefits?

No. Article 2 of the NPO Law defines only what are considered “activities for the benefit of and in the interest of the public”. These activities include activities which relate to, as well as encourage and support, the development of spiritual and humanitarian values; protection of human life and health; provision of public and social services; the provision of assistance in case of catastrophes; protection of the environment; development and encouragement of cultural, historical, educational, or scientific values; and the promotion of democracy.

6. Is there a statutory definition of what a public-benefit purpose is in the tax law of your country? If yes, please give us the definition.

Yes, there is. The Decision No. 953, dated 29.12.2014 “For Implementation of Dispositions of Law no. 92/2014”, “For Value Added Tax in Republic of Albania” Amended defines “activity for the good and interest of the public” as any activity that supports and develops spiritual and other humanitarian values of the individual and society; protects human life or health; secures and realises public and social services, help and support in cases of disasters; protects the environment and develops culture and education about it; supports and develops cultural and historical values and traditions, science, education, physical and spiritual education; helps in the development of good habits and democratic values; as well as any other aspect in the good and interest of the public.

7. Please indicate whether the following purposes would or would not be accepted for tax privileges in your country (noting that the tax status often depends on additional requirements):

| Public-benefit purpose | Accepted in tax law (for tax privileges) | | | |
|--|--|--------------|-------------|----|
| | Yes | Probably yes | Probably no | No |
| Arts, culture or historical preservation | X | | | |
| Environmental protection | X | | | |
| Civil or human rights | X | | | |
| Elimination of discrimination based on gender, | X | | | |

| | | | | |
|---|---|---|---|---|
| race, ethnicity, religion, disability, sexual orientation or any other legally prescribed form of discrimination | | | | |
| Social welfare, including prevention or relief of poverty | x | | | |
| Humanitarian or disaster relief | x | | | |
| Development aid and development cooperation | x | | | |
| Assistance to refugees or immigrants | | x | | |
| Protection of, and support for, children, youth or elderly | x | | | |
| Assistance to, or protection of, people with disabilities | x | | | |
| Protection of animals | | x | | |
| Science, research and innovation | x | | | |
| Education and training | x | | | |
| European and international understanding (e.g. exchange programmes/ other activities aimed at building bridges between nations) | | | x | |
| Health, well-being and medical care | x | | | |
| Consumer protection | | x | | |
| Assistance to, or protection of, vulnerable and disadvantaged persons | x | | | |
| Amateur sports | | x | | |
| Infrastructure support for public- | | | | x |

| | | | | |
|--|---|--|---|---|
| benefit purpose organisations | | | | |
| Party political activity | | | | X |
| Advocacy | | | X | |
| Advancement of religion | X | | | |
| <i>Other – please list other purposes accepted in tax law for tax privileges in your country</i> | | | | |

8. Support of “the public at large”

- a) Do the activities of a foundation with public-benefit status for tax purposes generally have to benefit “the public at large”?

Yes.

- b) If yes, can a foundation with public-benefit status for tax purposes support a closed circle in a sense that beneficiaries can be identified based on legal or family affiliations?

No, it cannot benefit. The foundation should serve the public interest in any case.

9. Non-distribution constraint

- a) Does a foundation with public-benefit status for tax purposes generally have to follow a “non-distribution constraint” which forbids any financial support of the foundation board, staff, etc.?

Yes. However, salaries for executive officers and employees are allowed. Additionally, the reimbursement of certain types of expenditure for board members is also allowed.

- b) What happens with the foundation’s assets in case of dissolution? Can the assets revert to private ownership, or do they have to stay in the public-benefit sphere?

In case of voluntary dissolution, the highest decision-making body of the organisation decides on the recipients, if it is not stipulated in the statutes. When the foundation has benefited from tax or fiscal exemptions, state grants or public donations, the assets are distributed to organisation(s) which pursue the same or similar goals as those pursued by the dissolved organisation (Art. 47 of NPO Law).

10. “Altruistic” element

- a) Is remuneration of board members allowed in **civil law** and in **tax law**? If remuneration is allowed, are there any limits in **civil law** and/or in **tax law**?

Members of the highest decision-making organ, as a rule, exercise their function without compensation. Non-profit organisations, respecting the principle of the best interest of the organisation, depending on its conditions, and the number and duration of its meetings, may reimburse the expenses and compensate members of the board for participation in its meetings.

- b) Does **tax law** allow a donor/funder to receive some type of benefit in return for a donation? (e.g. postcards, free tickets for a concert)

Benefits obtained by donors in return for a donation will be treated as taxable supply for VAT purposes and will be charged accordingly with VAT [Art. 8.5 of Instruction no.17 of 15 May 2008 “On the Value Added Tax” (VAT Instruction)]. However, mentioning the name of a donor in a public activity will not be considered as an advertising service for that donor, and therefore will not be subject to VAT. But if the donor is a private company and its name is mentioned in the electronic media, it will be considered as marketing and will be charged.

- c) Is there a maximum amount that can be spent on office/administration costs in **civil law** and in **tax law**? If yes, how are “administration costs” defined? Please indicate which of the following types of expenditures would/would not be considered as “administration costs”:

- Personnel costs (staff salaries/payroll costs)
- Board remuneration
- Costs of external audit
- Other legal/accounting costs
- General office overheads (rent/mortgage payments, utilities, office materials, computers, telecommunications, postage)
- Insurance
- Publicity and promotion of the foundation (e.g. website, printed promotional materials)
- Asset administration costs
- In the case of an operating foundation – costs related to programmes/institutions run by the foundation
- Costs related to fundraising

There is no specification (definition or ceiling amount) in the law about any costs, including the ones mentioned above.

11. Hybrid structures (elements of private benefit in public-benefit foundations)

- a) Does the **civil law** of your country accept the following provisions/activities of a public-benefit foundation?

| | Yes | Probably yes | Unclear | Probably no | No |
|--|-----|--------------|---------|-------------|----|
| The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, their spouse and descendants. | | | | | X |
| The founder retains a beneficial reversionary interest in the capital of a property or other asset for their own continuing use. | | | | | X |
| The gift consists only of the <i>freehold reversion</i> (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant. | | | X | | |
| A foundation distributes a (small) part of its income to the founder or their family. | | | | | X |

- b) Does the **tax law** of your country accept the following provisions/activities of a tax-exempt foundation?

| | Yes | Probably yes | Unclear | Probably no | No |
|--|-----|--------------|---------|-------------|----|
| The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, their spouse and descendants. | | | | | X |
| The founder retains a beneficial <i>reversionary</i> interest in the capital of a property or other asset to retain for their own continuing use. | | | | | X |
| The gift consists only of the <i>freehold reversion</i> (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant. | | | | | X |
| A foundation distributes a (small) part of its income to the founder or their family. | | | | | X |

12. Distributions and timely disbursement

- a) Are foundations allowed to spend down their endowment?

There is no specific limitation in the law. The NPO Law allows foundations to claim expenditures only for attainment of its purpose and for the maintenance of its assets.

- b) Are they allowed to be set up for a limited period of time only? If so, is there a minimum length of time for which the foundation must exist?

Yes, they are allowed, and the period is stipulated in the statutes. The NPO Law does not mention any minimum length required.

- c) Does the **civil law** and/or **tax law** of your country require a foundation to spend its income (or a certain amount of the income) within a certain period of time, e.g. within the next financial year? If yes, is there a specific amount/percentage of the income that must be spent within this time? Which resources would be considered as income? E.g. would donations/contributions designated for building up the endowment be included in/excluded from the income to be spent? What expenditures would count towards the disbursement of income (e.g. would administration costs be included/excluded)?

N/A

- d) Does the **civil law** and/or **tax law** of your country require a foundation to spend a percentage of its overall assets in the form of a “pay-out rule”?

No.

Example: Does the **civil law** of your country require the following of a public-benefit foundation?

| | Yes | Probably yes | Unclear | Probably no | No |
|---|-----|--------------|---------|-------------|----|
| A foundation accumulates its income for 5 years, only in the 6 th year are there distributions for the public-benefit purpose of the foundation. | | | | | X |

Example: Does the **tax law** of your country require the following of a public-benefit foundation?

| | Yes | Probably yes | Unclear | Probably no | No |
|---|-----|--------------|---------|-------------|----|
| A foundation accumulates its income for 5 years, only in the 6 th year are there distributions for the public-benefit purpose of the foundation. | | | | | X |

13. Are activities abroad in another country compatible with the public-benefit tax status?

There is no specification in the tax law regarding this matter. However, the VAT exemption is given only for activities of the organisation and not to the organisation as a whole. According to the Law, these activities should be for the good and interest of the public in Albania. As such, activities performed by the same organisation abroad do not qualify for tax exemption.

14. Can public-benefit organisations with a tax-exempt status also support/give grants to for-profit organisations (such as a small green start-up)?

According to the Tax Law, tax exemption is granted only to economic activity and not to the foundation/legal entity as a whole. As such, it depends if such activity is requested to be tax exempted or not.

Grant giving does not generate any profit for the foundation and as such is not subject to tax.

15. Corporate income tax treatment. How are the following types of income treated for corporate income tax purposes? Are they taxable or exempt?

a) Grants and donations

They are both tax exempted, according to the NPO Law 92/2013 amended.

b) Investment income (asset administration)

Interest from bonds

Equities

Income from leasing of a property that belongs to the foundation

c) Economic activities (related/unrelated)

Income from running a hospital/museum/opera

Income from producing/selling books (e.g. art books sold by a cultural foundation)

Income from running a bookshop inside a museum/opera run by the foundation

- Income from running a café in the hospital/museum run by the foundation
- Income from selling merchandise (activity not related to the pursuance of the public-benefit purpose)
- Income from intellectual property (e.g. royalties and licence fees)

The economic activity is allowed only when it is related to the mission of the organisation and is declared in the foundation statutes. It should not account for more than 20% of the total annual income. The income from such activity cannot be distributed but should support foundation activity in pursuance of its mission. Only in this case is it allowed and is not taxed.

According to the Decision No. 953, dated 29.12.2014 "For Implementation of Dispositions of Law no. 92/2014", if the supply of goods and services performed by a foundation with charitable purposes is exempt from VAT, the funds collected through public events are also exempted from VAT, up to five events per year. The funds should be used for charity purposes or to pursue the foundation's mission. If the events are more than five per year, VAT exemption will be granted only for funds collected through five events.

- d) Income deriving from grant expenditure towards public-benefit purpose/programme activities (such as loans, guarantees, equities)?

Foundations are not allowed to grant loans, guarantees or equities. This activity requires special licencing.

- e) Is major shareholding in a business undertaking considered as an economic activity and taxed accordingly?

Income tax legislation does not explicitly exempt income of NPOs from major shareholding. Income in the form of dividends (for shares owned in a company) is exempted from income tax when the company making the distribution is subject to income tax. This exemption is valid regardless of the percentage of shares owned in the company by the shareholder.

In any case, the organisation should meet several conditions in order for the economic activity to be considered eligible and taxed exempt. First the economic activity should be in line with the objectives of the organisation, declared as one of the sources of income, and used to pursue the goals stipulated in the statutes (Art. 36, Law 8788). Second, the economic activity should not be the primary goal of the organisation. Third, the economic activity should not account for more than 20% of the annual income of the organisation. Only then, is it considered eligible activity and treated as tax exempt. This said, it is very unlikely that an organisation can meet all these criteria at once.

16. Are capital gains subject to tax? If so, are they liable to corporate income tax or to a separate tax?

Capital gains are subject to the same treatment as income from economic activities and therefore are subject to the same limitations and exemptions.

17. Does any kind of value added tax (VAT) refund scheme for the irrecoverable VAT costs of public-benefit foundations exist in your country?

No. Foundations are subject to VAT. Only certain services can be exempted according to the Tax Law. Additionally, imports of goods needed for the above-mentioned exempted supplies are also VAT exempted.

Albanian legislation on VAT does not allow for the refund of input VAT for tax-exempted supplies or for supplies which do not relate to the object of activity of the taxable person.

Additionally, input VAT paid on certain expenditures, even if made for business purposes, cannot be refunded.

Like any other taxpayer, even non-profit organisations have the right to claim the VAT refund, if they meet the criteria described in Article 77 of the Law on VAT, and following the procedure prescribed in the Instruction no.6, dated 30.01.2015, "On VAT". Although the legal framework allows them to claim VAT refunds, this is almost impossible as they may not fulfil the two minimum conditions of claiming a reimbursement: Having carried forward an amount of tax credit for three successive months, and the reimbursement claimed exceeds ALL 400,000 (~ €4,100).

Instruction No. 27, dated 13.09.2023 states: "For some additions and changes to Instruction No.6, dated 30.01.2015, 'On the Value Added Tax in the Republic of Albania', as amended, introduces a zero percent VAT rate for goods and services used in projects funded by foreign donations or grants, replacing the previous procedure that allowed for VAT reimbursement at the end of the project." Yet, this instruction has not been implemented (see answer to Section VI, question 6).

18. Is capital tax levied on the value of assets, where applicable?

There is no capital tax on the value of assets.

19. Are there taxes on the transfer/sale of assets by foundations?

The Law Tax on Income, Nr.8438, amended in 2007 does not have a differentiated treatment for non-profit organisations in cases of transfer/sale of assets. The tax at 15% is paid by the individual who transfers the right on immovable property.

20. Are there any other taxes to which public-benefit foundations are subject to (e.g. real property tax)?

Foundations (all NPOs) pay local taxes that include:

- Green tax. It varies depending on the municipality (e.g. Tirana municipality ALL 10,000 / ~ €100/ year)
- Educational infrastructure – Tirana municipality ALL 5,000 / ~ €50/year
- Television tax = ALL 1,200 / ~ €12/year

[Decision no. 457, dated 26.7.2023](#) has amended the reference prices per m2 of the property. The property tax = 2 * 0.2% * reference price per m2.

21. Can a foreign foundation (EU and other) get the same tax benefits as a national foundation according to the wording of the tax law in your country? If yes, under what conditions? If they have to fulfil exactly the same requirements as locally based public-benefit foundations, please refer to above but indicate which documents need to be provided and translated:

- Statutes (translation required?)
- Last annual financial report (translation required?)
- Documents providing evidence for certain tax law requirements e.g. that income was actually spent for public-benefit purposes, which may not be required by the organisation's country of seat but are required according to the legislation of the country from which tax benefits are sought?
- Other

Yes. Foreign foundations enjoy the same rights and duties as domestic foundations. To benefit from tax reductions or exemptions, a foreign foundation would either have to register as a foundation in Albania or as a branch of a foreign foundation, should it wish to pursue activities permanently in Albania. Alternatively, a foreign foundation may apply for a permit to operate temporarily in Albania for a period of no longer than six months.

Foreign foundations would have to submit the same documents (as listed above), for tax reasons, as local foundations do. However, in the case of foreign foundations, these documents need to be translated into the Albanian language and notarised before an Albanian notary public.

22. Does your country have signed bi-lateral tax treaties, which provide for reciprocal tax treatment of public-benefit organisations? If so, with which countries?

Yes, the Albanian Parliament has ratified over the years several bilateral agreements “For Avoidance of Double Tax and Prevention of Fiscal Evasion”.

23. Does your country apply withholding tax to the income from local investments held by domestic and/or foreign-based foundations? If so, can domestic or foreign-based foundations reclaim all or part of the withholding tax under domestic law?

There is no requirement that a foundation in Albania pay withholding tax on income from foreign investment.

III. Tax treatment of donors

1. Is there a system of tax credit or tax deduction or other mechanisms such as tax allocation systems or matching grants?

2. Tax treatment of individual donors

- a) What tax relief is provided for individual donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

Individual donors cannot deduct for tax purposes any kind of donation. Tax report for individuals (natural persons) does not exist and as such tax relief to donations cannot be granted.

- b) Which assets qualify for tax deductibility (e.g. cash, real estate, in kind or other)?

Not applicable. See above.

3. Tax treatment of corporate donors

- a) What tax relief is provided for corporate donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

The Law no. 7892, dated 21.12.1994 "On Sponsorship", amended, recognises as a deductible expense up to 5 percent for publishers and publication of literature, scientific works and encyclopaedia; as well as cultural, artistic and sport-related activities and up to 3 percent for all other corporate entities.

See also below, tax deduction in case of natural disaster.

- b) Which assets qualify for tax deductibility (e.g. cash, real estate, in kind, or other)?

The assets that qualify for tax deduction are monetary and immovable properties up to 5 percent of profit before tax in cases when a "natural disaster" emergency situation is declared (Art. 21, point p, Law on Income Tax, amended 79/2019). In any case, these donations qualify for deduction only when disbursed to the state treasury.

4. Tax treatment of donations to non-resident public-benefit foundations: Do donors get the same tax incentive?

Not applicable. Such tax treatment does not exist.

5. Other frameworks such as percentage law systems, whereby the donating taxpayer may assign part of the tax due to a public-benefit organisation?

No, there are not.

6. What are the requirements that the donor must fulfil and/or what is the information they must provide in order to claim tax benefits? What information must donors provide to their tax authority in order to receive tax incentives for their donation (e.g. submitting details on the organisation they support: statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)?

Only the corporate donor, registered and operating in Albania may benefit from the tax incentive. The donor should register the donation in its expenditure books and support it with a donation contract/agreement. The contract should clearly state the name, status, address of the beneficiary NPO, amount and purpose of the donation.

7. Are there any different or additional requirements to be fulfilled when a donor is giving to a foreign-based foundation? What information must donors to foreign-based organisations provide in order to receive tax incentives for their donation (e.g. statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)? Are translations of documents required?

No, there is no differentiation. The individual does not benefit from any tax incentive/deduction, even in this case.

8. Do donors get tax incentives when donations are done via specific tools such as:

- Requesting money in public (street, door-to-door)
- Via TV and radio campaigns
- Via sms
- Crowdfunding

Do they have to follow any kind of particular process? If so, which one?

No incentive exists.

IV. Tax treatment of beneficiaries

(i.e. those receiving a grant or other benefit from a foundation)

- 1. Individuals: Are individual beneficiaries of grants required to pay taxes or are the grants tax exempt?**
- 2. Legal entities: Is there any legal/fiscal framework for beneficiaries conducting economic activities so that they can be eligible for foundation funding? Are there any limitations on the economic activities of the beneficiaries?**

The legal framework is not clear about this. No mention of any requirements exists.

- 3. Are there any different or additional requirements that must be fulfilled by a beneficiary receiving funding from abroad?**

No there are no additional requirements.

V. Gift and inheritance tax

1. Does gift and inheritance tax/transfer tax exist in your country and, if yes, who has to pay the tax in the case of a donation/legacy to a public-benefit organisation (the donor or the recipient organisation)?

The capital acquired through transfer of the right on immovable property, buildings, land and agricultural land is taxed with a flat rate of 15% (Tax Law on Profit/Income, amended by Law no. 9844, date 17/12/2007, Art. 11).

The tax is paid by the individual who transfers the right on immovable property. The registration of property is conditioned by tax prepayment. The law does not make any specification or differentiation regarding donations made to public benefit foundations/organisations.

Inheritance within the family line of first generation is tax excluded.

2. What are the tax rates? Is there a preferential system for public-benefit organisations (PBOs)? Which PBOs qualify? Is there a difference according to the region or the legal status of the PBO?

There is no such provision for PBOs. In any other cases, the tax rate is a flat 15%. The same tax regime is expected to be applicable to foundations as well.

3. Is there a threshold (non-taxable amount) from gift and inheritance tax for donations/legacies to public-benefit organisations?

No. See above.

4. Is there a legal part of the estate that is reserved for certain protected heirs and which a donor cannot give to third parties?

No, there is no restriction.

5. What is the tax treatment (inheritance and gift tax) of legacies to non-resident public-benefit foundations?

See above.

VI. Trends and developments

- 1. Are there current discussions about the question of whether cross-border activities of foundations or other non-profit organisations and their donors are protected by the fundamental freedoms of the EC Treaty? Have there been any changes to your country's legislation, resulting from the [Persche](#), [Stauffer](#), [Missionswerk](#) or other relevant ECJ judgments, or are changes being discussed? Any changes being discussed with regard to the free movement of trust structures resulting from the [Panayi Trust](#) and [Olsen and Others](#) cases?**

No. EU case law and legislation are not yet applicable in Albania.

- 2. Has the fight against terrorism and financial crime led to the introduction in recent years of new laws/rules affecting the foundation sector (e.g. implementation of EU Anti Money Laundering Directive, or reactions to recommendations of the Financial Action Task Force)? Has it for example become more difficult to:**

- Set up a public-benefit foundation
- Obtain permission to transfer funds across borders
- If able to transfer of funds across borders, has the process become more burdensome administratively
- Open a new bank account
- Maintain a bank account
- Fund certain activities
- Fund certain regions/countries

No there are no restrictions. Nevertheless, several risk indicators (Minister Order no. 19, dated 9.07.2019) are used by the Financial Intelligence Agency about organisations exercising their activity in areas that have or are suspected to have terrorist activity.

Another development was the creation and publication of the first Non-Profit Sector Risk Assessment Methodology on Terrorist Financing, developed by Partners Albania for Change and Development in cooperation with the General Directorate of Taxation. The methodology was developed through a participatory process including non-profit organisations, state authorities, and financial institutions. According to the assessment, the level of risk for the NPO sector was rated as low. In 2023, the Financial Intelligence Agency published the National Risk Assessment, which confirmed that the risk in the non-profit sector is low.

Additionally, the Instruction preventing and combating money laundering and financing of terrorism in the tax system outlines a detailed arrangement of modalities for reporting by tax authorities, as well as information-sharing procedures between the General Directorate of Taxation and Financial Intelligence Agency, which serves as the responsible authority.

- Fund certain organisations (please explain the reason - foreign funding restriction?)

No restrictions. Still, it is addressed as part of the risk indicators as well. In case the foundation provides funding to organisations that are not linked to its declared programmes and activity, it is considered a risk in terms of money laundering and terrorist activity.

- Report to authorities/deal with administration

An increase in the obligation to report has been observed. In addition, the tax administration comes up with ad hoc requests which duplicate the information already provided as part of obligatory reporting requirements.

- Other

3. Does the national law consider foundations as obliged entities as defined by the Anti-Money Laundering Directive?

No. The following key texts do not consider foundations as obliged entities but as clients of obliged entities: The Law no. 33/2019 “For some changes and additions to the Law No. 9917, dated 19.05.2008 ‘On prevention of Money Laundering and financing of terrorism’, amended”; and the Instruction no. 19, dated 9.7.2019 “For the supervision of the non-profit organizations in the function of money laundering and financing of terrorism”.

Notwithstanding the above, the AML/CFT Law, Bank of Albania Regulations and Financial Supervisory Authority Regulations contain provisions on pre-approval due diligence for purposes of financial services and products provided to foundations.

4. Does the national law define/specify who is considered as a Beneficial Owner (BO) of a foundation?

According to Law No. 112/2020 “For the Registry of the Beneficial Owners”, the beneficial owner is considered the founder, or legal representative, or the individual who exercises the ultimate effective control over the administration and control of non-profit organisations, including foundations, associations and centres (another form of non-membership, non-profit organisation), as well as branches of non-profit organisations. The ultimate effective control is the relationship in which a person: a) determines the decisions taken by the foundation; and b) controls in any way the election, appointment and removal of most of the decision-making bodies and/or executive bodies of the foundation (Art. 3, point 1.1.2 of the Law).

5. Does your country have a specific register for BO of legal entities/foundations or does the foundation/company/association register serve as a BO register?

Yes. The Registry of Beneficial Owners is administrated by the National Business Center.

6. Are there any other recent trends or developments affecting the legal and fiscal environment for public-benefit foundations in your country such as one or more of the following?

a) Law revision in the pipeline

In September 2023, the Ministry of Finance approved Instruction No. 27, dated 13.09.2023, which amends Instruction 6/2015 on VAT in Albania. This new instruction introduces a zero percent VAT rate for goods and services used in projects funded by foreign donations or grants, replacing the previous procedure that allowed for VAT reimbursement at the end of the project. The new VAT procedures introduced by Instruction No. 27/2023 have created significant operational challenges for foundations.

First, the requirement for foundations to register with the tax authority for VAT purposes is a setback. This requirement disrupts efforts to create a supportive environment for foundation activities, reversing progress made over several years when the foundation exited the VAT scheme.

Second, not only the foundation must submit a notarised copy of the contract with the donor to the Regional Tax Directorate (RTD), but the service or goods provider must also submit a contract signed with the foundation for each purchase, regardless of the amount. This means that for every purchase, a contract must be signed between the foundation and the service or goods provider, and a VAT treatment certificate, such as for export, must be issued by the RTD where it is registered for VAT purposes.

Third, given that a single foundation may operate in different cities, the logistical challenges of registering service providers in various locations, combined with the high administrative costs for low-value transactions, make the non-profit sector less attractive to businesses, potentially leading to refusals of service. This complexity discourages private providers from working with foundations, particularly when administrative costs exceed the value of low-cost transactions.

Furthermore, outdated e-filing systems add to the difficulties, leading to delays and uncertainty. The lack of guidance on how the procedure affects smaller foundations receiving sub-grants further worsens these issues. Due to the non-functioning of the VAT zero percent procedure, it has become an even greater burden for the sector. Presently, the sector has VAT as a 100% cost for its entire budget with no possibility of reimbursement/zero percent rate.

- b) Discussion about the role of supervisory authorities (civil law, charity regulator, tax authority) and collaboration among them? Decentralisation or centralisation of supervisory structures? Use of watchdog/rating agencies?

With regards to anti-money laundering, Instruction no. 19 dated 9.7.2019 “For the supervision of the non-profit organizations in the function of money laundering and financing of terrorism” regulates the procedures that can be followed by the tax authorities, as a supervisory body, for the control of the activities of NPOs, in order to avoid the possibility of money laundering or terrorist financing, and unifies the standards in order to guarantee accurate sharing of information between the General Directory of Taxation and the General Directory for the Prevention of Money Laundering with the scope to identify the cases of money laundering or financing of terrorism through NPOs.

- c) Tendency towards more transparency requirements?

NPOs with the total value of assets or income over ALL 30 million (~ €310,000) are obliged to prepare and publish their financial statements on the official website along with the performance report (Art. 22, Law 25/2018 “On Accounting and Financial Statements”). [The Instruction on performance report of Non-Profit Organizations in Albania](#) issued by the National Accounting Council sets the structure and content of this report. The performance report will provide information on objectives and activities of NPOs (including foundations); achievements and performance; financial reporting; organisation structure; management and supervision of the NPO; risk assessment and mitigation plan; and other relevant information that the NPO wants to share.

- d) Tendency towards more self-regulation? Self-regulation replacing hard law regulation?

Developed through collective efforts from the non-profit sector in 2020, [the Code of Standards for Non-Profit Organizations in Albania](#)² is structured around four principles and seven commitments, reflecting the dynamics of CSO development in Albania. A dedicated online platform and an app are being created as informative and promotional tools for the Code of Standards and related activities.

- e) Tendency to use alternative forms to classic public-benefit foundations

Some recent developments are:

- The first crowdfunding platform in Albania:

² [The Code of Standards for Non-Profit Organizations in Albania](#) was developed in 2020 and published by the National Resource Centre in July 2021.

In 2021, Smile.al, the only local online crowdfunding platform, was launched through a collaborative effort between private entities and Partners Albania. The platform supports campaigns by foundations within seven thematic areas: health and solidarity; promotion of cultural heritage; environment; innovative entrepreneurship; social entrepreneurship; education and training; and sporting activities. It facilitates the mobilisation of both financial contributions and volunteers.

The platform enables:

- Giving circles:

A Giving Circle is a live crowdfunding event that brings together individuals from different fields, offering their expertise, time and financial resources to support initiatives that bring about a positive and sustainable transformation for specific individuals and communities targeted by the initiatives. In Albania, the first giving circle event was introduced in 2018 by Partners Albania and is intended to be an annual event.

- Collaborations in the private sector:

An increased collaboration between NPOs and the private sector has been observed, especially among NPOs/foundations focused on service delivery for marginalised groups. The telecommunication and banking sectors are the biggest donors, and some of them make consistent donations to targeted organisations.

- Fundraising events:

Gala events, artistic performances, and online fundraising are experiencing an expansion, although they remain popular mainly in the capital.

f) Other?

g) There is also a growing trend of individual donations through online and live crowdfunding events which promote collective action and community-driven philanthropy in support of social causes implemented by non-profit organisations.

7. Public fundraising: Are there any specific laws that regulate fundraising, and do they affect foundations?

There are no specific laws regulating fundraising. Foundations are allowed to carry out various activities for raising funds, either at local or international level.

VII. Further information

Useful contacts

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- Partners Albania for Change and Development, partners@partnersalbania.org

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VIII. About

About Philea

Our vision is for philanthropy to use its full potential to co-shape and support a pluralistic, just and resilient society that centres people and planet. To achieve this, our mission is to enable, encourage and empower the philanthropic community to build a better today and tomorrow.

We nurture a diverse and inclusive ecosystem of foundations, philanthropic organisations and networks in over 30 countries that work for the common good. With individual and national-level infrastructure organisations as members, we unite over 7,500 public-benefit foundations that seek to improve life for people and communities in Europe and around the world.

We galvanise collective action and amplify the voice of European philanthropy. Together we:

→ **Co-create knowledge and learn** from effective practices

→ **Collaborate** around current and emerging issues

→ **Promote enabling environments** for doing good

In all we do, we are committed to enhancing trust, collaboration, transparency, innovation, inclusion and diversity.

philea.eu

Policy and advocacy at Philea

Philea champions the interests of its members vis-à-vis the EU and multilateral organisations. Through [our policy and advocacy work](#), we strive towards an enabling operating environment for European philanthropy by monitoring and analysing policy and regulatory trends at national, European, and international level, and engaging around this agenda with policymakers and other stakeholders. We position philanthropy as a key actor on societal issues and facilitate strategic engagement and collaboration opportunities, including public-private partnerships.

About this project

This country profile is part of a [larger analysis project](#), ongoing since 2002, which includes regularly updated profiles on the legal and fiscal landscape for philanthropy in some 40 countries across the wider Europe; and a comparative overview of the profiles compiled in our “Comparative Highlights of Foundation Laws”.

Legal Affairs Committee

Philea’s [Legal Affairs Committee](#) consists of legal and public affairs experts from Philea members, composed of both national associations and foundations, across Europe. The members of the LAC advise on Philea’s policy and advocacy work.



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