

Business Forum on the SEE - Balkans

Investment framework and opportunities

General information

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
POPULATION	2.86 million	3.5 million	7 million	4,28 million	2.07 million	678.901	7.02 million	2,08 million
FORM OF GOVERNMENT	Parliamentary Republic	Parliamentary Republic Two entities (Federation of BiH and Republika Srpska) and Brčko District of BiH	Parliamentary Republic	Parliamentary Republic	Parliamentary Republic	Parliamentary Republic	Parliamentary Republic	Parliamentary Republic
EU/NON-EU	NON-EU	NON-EU	EU	EU	NON-EU	NON-EU	NON-EU	EU
FOR NON-EU COUNTRIES Status of negotiations and integration with EU	Albania is an EU candidate country since 2014	Application for status of a candidate submitted	/	/	EU Membership candidate country	In the accession process since signing the SAA in 2007 and it is expected that will be admitted to the EU in 2025. At the moment 32 chapters are open	In the accession process since signing the SAA in 2008 and it is expected that will be admitted to the EU in 2025. At the moment 16 chapters are open	/
FOR EU COUNTRIES Level of harmonisation of legislation with the EU	/	/	Fully harmonized legislation with EU	Harmonized, although implementation is delayed in certain cases	/	/	/	Harmonized, although implementation is delayed in certain cases.
CREDIT RATING	B+ /stable (S&P) B1/stable (Moody's)	B/ positive (S&P) B3/stable (Moody's)	BBB- / positive (S&P) Baa2 / stable (Moody's)	BBB- / stable (S&P) Ba2/ positive (Moody's)	BB- / stable (S&P)	B+ / stable (S&P) B1 / positive (Moody's)	BB / positive (S&P) Ba3 / positive (Moody's)	A+ / positive (S&P) Baa1 / positive (Moody's)
EASE OF DOING BUSINESS BY WORLD BANK	63/190	89/190	59/190	58/190	10/190	50/190	48/190	40/190

Level of Foreign Direct Investment

	ALB	BIH	BG	CRO	MAC	MNE	SER	SLO
MAJOR INVESTORS IN THE COUNTRY	The Netherlands 17.7%, UK 9.8%, France 8.8%, Greece 5.9%, Croatia 5.9%, Austria 5.7% Italy 3.8% , Germany 1.7%, Luxemburg 0.8%, Cyprus 0.8%, Bulgaria 0.4%, Sweden 0.3%, Slovenia 0.1%	Austria 24%, Croatia 13.2%, Slovenia 13%, Switzerland 7.5%, Serbia 6.9%, Germany 6.8%, Italy 5.7% , Luxemburg 5.2%, Saudi Arabia 5%, United Arab 3.4% Kuwait 3.1%	The Netherlands 16.4%, Austria 10.4%, Germany 6.6%, Italy 6.2% , UK 5.6%, Greece 5.8%, Russia 5%	The Netherlands 20%, Austria 13%, Italy 10% , Germany 10%, Luxemburg 8%, Hungary 8%, Slovenia 4%, United Kingdom 3%, France 3%, Switzerland 2%	Austria 13.5 %, The Netherlands 8%, Greece 10.1%, Germany 5.8%, Turkey 5.4%	Italy 15% , Russia 8%, Serbia 7.5%, Hungary 7%, Turkey 6%	Italy 13% , US 11.6%, Austria 11.3%, Czech Republic / Germany 8.3%, France 7.9%	Austria 25.6%, Luxemburg 11.4%, Switzerland 10.4%, Germany 8.4%, Italy 8.3%
LEVEL OF ITALIAN FDI (%) in the country in the last 3 years or in average	3.8% (2018) 6.9% (2017) 4.9% (2016)	Approx 4,5 % in average	6.2% (2018) 6.2% (2017) 6% (2016)	Approx 10% in average	2,2% (2018) 2,3 (2017) 2,1% (2016)	Approx. 15% in average	Approx. 12% in average	8.3% (2017) 8.8% (2016) 7.3% (2015)
INDUSTRIES WITH MAJOR ITALIAN FDI	Banking, manufacturing (textile & shoes), energy, transport	Textile, footwear	Industrial production, construction and infrastructure, food industries	Banking and finance, real estate, commercial activities, hotels, manufacture of machines and equipment	Production of technical equipment, consumer products, household products, hygiene products, technical and medical gasses	Real estate	Automotive industry, textile and clothing industry, banking, insurance	Financial and insurance activities, manufacturing, wholesale and retail trade and repair of motor vehicles and motorcycles, electricity, gas, steam and air conditioning supply
LARGEST ITALIAN INVESTORS	Intesa SanPaolo Bank Sh.A.; Acmar s.c.p.a.; Albacall Sh.a; Albaco Shoes Shpk; Alban Costruzioni - Gruppo Iminer; Albanian Green Energy S hpk; Blue Panorama; Coca Cola Bottling Shqipe ria Shpk; La Petrolifera Italo Albanes e Sha	Calzedonia; Unicredit; Metalleghe SpA	UniCredit; Italcementi, Enel; Petrolvilla; Safil; Zobebe Group; Miroglio	Unicredit; Intesa San Paolo; Assicurazioni Generali; Saipem; Calzedonia; Benetton; Danieli; Ducati Energia	Condevo spa; Vitillo spa; Gruppo SOL	Terna; A2A	FIAT; Magneti Marelli; Intesa San Paolo; Unicredit; Benetton; Pompea; Calzedonia ; Fulgar	Generali CEE (AS); TCH Europe (Cimos); Aquafil (AquafilSLO); Trevisanalat s.p.a. (Ekolat); DBA LAB (Actual I.T.); Cecomp; Ocean s.r.l. Trst (Adria-Tow)

Major export/import partners

	ALB	BIH	BG	CRO	MAC	MNE	SER	SLO
MAJOR EXPORT TO	Italy Kosovo Spain Greece	Germany Croatia Italy Serbia Slovenia	Germany Italy Romania Turkey Greece Belgium France	Italy Bosnia and Herzegovina Germany	Germany Bulgaria Kosovo Belgium	Serbia China Bosnia and Herzegovina Hong Kong Hungary Italy	Italy Germany Bosnia and Herzegovina	Germany Italy Croatia Austria France
MAJOR IMPORT FROM	Italy Turkey Germany Greece China Serbia	Germany Italy Serbia Croatia China	Germany Russia Italy Romania Turkey Spain Greece	Germany Italy Slovenia	Germany Great Britain Greece Serbia China	Serbia China Germany Bosnia and Herzegovina Italy Greece	Germany Italy China	Germany Italy Austria Croatia France

The role of the State for attracting FDI

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
STATE GRANTS/ INCENTIVES <i>YES/NO, if yes in what form? Tax incentives? employment incentives?</i>	Yes Tax incentives: corporate tax in Albania is levied at a flat rate of 15%. Businesses with a turnover of less than 14 million ALL are exempt from corporate tax	Yes Tax incentives for investments in equipment	Yes, both tax and employment incentives: - shortened period of time for administrative procedure; - individual administrative services necessary for the implementation of the investment project; - possibility for acquiring ownership rights or limited rights in rem; - financial support for building of technical infrastructure; - financial support for training for acquiring professional qualification of persons	Yes, for investment projects in manufacturing and processing activities, development and innovation activities, business support activities, high added value services. Type of incentives: - tax incentives; - employment incentives -incentives for education and training; -incentives for investments in development and innovation activities; -incentives for the capital expenses of investment projects; -incentives for labor intensive investment projects; -incentives for investment projects through economic activation of inactive property owned by Croatia	Yes, as tax incentives, employment incentives and grants for procurement of equipment	Yes, through incentive funds for investing in the amount of EUR 500.000 and employment of 20 employees in last 3 years i.e. EUR 250.000 and 10 employees in less developed areas	Yes, through incentive funds for investments in manufacturing, international trade and hotel accommodation services sector. Customs and other import duties exemption for imports of equipment	Yes, through: - subsidies, - loans, guarantees and subsidized interest rate, and - the purchase of real estate owned by the self-governing local community at a price lower than the market value. Incentives are granted only for certain activities.

The role of the State for attracting FDI

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
<p>FREE ZONES</p> <p><i>YES/NO, if yes – specially for the NON EU countries - where and what are the main advantages of setting the business in the Free Zone</i></p>	No	<p>Yes</p> <p>-necessary infrastructure provided</p> <p>-Access to transport infrastructure</p> <p>-low land price</p>	<p>Yes, Bulgaria has multiple industrial zones (e.g. Bourgas, Plovidid, Russe, Vidin etc.) to promote manufacturing and investment in Bulgaria. These operate as:</p> <p>- logistic hubs, access to highways, international transportation corridors, infrastructure, - warehouse facilities and industrial spaces are available to investors</p>	<p>Yes, in Croatia it is possible to choose among 11 Free Zone locations in Croatia, ranging from sea port-based located at Pula, Rijeka, Split and Ploče and other strategically located zones in Krapina-Zagorje, Kukuljanovo, Osijek, Ribnik, Split-Dalmacija, Vukovar and Zagreb.</p> <p>Interesting for export manufacturing projects, internationally value-added trading/service activities or R&D intensive operations.</p> <p>Retail business cannot be carried on in the Free Zone.</p> <p>Main advantages: VAT paid only when the goods leave the FZ and when the final destination is EU (including Croatia). If destination is non EU country the goods are VAT exempt.</p>	<p>Yes, there are more than 10 free economic zones in the country next to major cities.</p> <p>Main advantages are: 1) tax holidays on profit tax, personal income tax, VAT up to 10 years; 2) Long term lease on the land up to 99 years; 3) free connection to infrastructure (gas, roads, water etc); 4) 10% return on investment cost in new machines</p>	<p>Yes</p> <p>The Port of Bar and “Novi Duvanski kombinat” Podgorica.</p> <p>Main advantages are: exemption from customs duties, customs charges and VAT for goods entering into free zones which are used for further processing within the zone</p>	<p>Yes</p> <p>Belgrade, Pirot, Subotica, Zrenjanin, Kragujevac, Šabac, Novi Sad, Užice, Smederevo, Svilajnac, Kruševac, Apatin, Priboj and Vranje</p> <p>Main advantages are: VAT Exemption on entry of goods, transport and other services which are directly related to the entry of goods; Supply of goods and services within the free zone; supply of electricity and/or piped gas to free zone users</p> <ul style="list-style-type: none"> •Exemption from customs and other import duties for goods intended for carrying out activities and construction of facilities in free zones; •Exemption from certain local fees and taxes (local municipality incentives). 	No

The role of the State for attracting FDI

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
Free trade agreements <i>List the countries</i>	<ul style="list-style-type: none"> •European Union, •Turkey, •CEFTA (North Macedonia, Montenegro, Kosovo, Moldova, Serbia, and Bosnia and Herzegovina) •EFTA countries (Iceland, Liechtenstein, Norway and Switzerland) 	SAA with EU CEFTA and EFTA signatory	Bulgaria as EU member is a party to FTAs concluded between EU and non EU Countries.	Croatia as EU member is a party to FTAs concluded between EU and non EU Countries.	Stabilization and association agreement, 2001 with EU CEFTA and EFTA signatory. Bilateral free trade agreements with Turkey and Ukraine	FTAs with: Ukraine, Turkey and Russia. Signatory of CEFTA and EFTA.	FTAs with: Russia, USA, Turkey, Belarus and Kazakhstan. Signatory of CEFTA and EFTA.	Slovenia as EU member is a party to FTAs concluded between EU and non EU Countries.
Advantages of the Free trade agreements (e.g. <i>for the manufacturing companies if I produce in Serbia I can export to Russia duty free?</i>)	Enable Albania to export all industrial goods produced in the country and import all needed products into the country from the countries without any customs tariff	Duty free export	Better access to foreign markets	Better access to foreign markets	Duty free export on certain products	Duty free exports to the signatory countries	Duty free exports to the signatory countries	By removing tariffs, they lower prices of imports and consumers benefit. Goods produced in Slovenia are duty-free when exported to other EU countries. Most product when exported to Serbia from EU are also duty-free. There is no FTA concluded between EU and Russia

Taxation and cost of labour

	ALB	BIH	BG	CRO	MAC	MNE	SER	SLO
CORPORATE TAX %	15%	10%	10%	12%, 18%	10%	9%	15%	19%
TAXATION OF DIVIDENDS %	15%	No	0 % for EU legal entities	Dividends paid to a nonresident (other than a private individual) are subject to a 12% withholding tax, unless the rate is reduced or an exemption applies under a tax treaty, or the dividends qualify for an exemption under the EU parent-subsidiary directive	15% (unless more preferable rate is provided in the DDT)	9%	15%	Natural persons: 25%; SLO legal persons: 95% of the amount is exempt, remaining 5% is taxed with rate 19%; EU legal persons: taxation according to domestic laws of the country; Non-EU legal persons: in general the withholding tax rate is 15%, but may differ (0% / 5% / 10%).
VAT %	20%	17%	20% standard rate	25% standard rate 13% and 5% reduced rate for certain products and services	18% standard rate ; 5% reduced rate on certain products and services	21% standard rate 7% reduced rate for certain products and services	20% standard rate 10% reduced rate for certain products and services	22% standard rate 9.5% reduced rate for certain products and services.
PERSONAL INCOME TAX %	15%, 23%	10%	10 %	24%, 36%	10%, 18%, 15%	9%, 11%	10%	16%, 27%, 34%, 39%, 50%
DDT with Italy (yes/no)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
MINIMUM MANDATORY SALARY (monthly)	approx. Eur 211 gross	Eur 220 net	Eur 286,33 net	Eur 500 gross/ 405 net	Eur 290 gross / 205 net	Eur 193 net	Eur 243 net	Eur 886.63 gross
TOTAL COST OF LABOUR ASSUMING A NET AMOUNT OF 1000 EUR/monthly	Eur 1402	33% - 41.5% (depending on the region)	Approx. Eur 1300	Eur 1700	Eur 1512	Eur 1544.20	Eur 1650	Eur 1741

Tax and employment incentives

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
TAX INCENTIVES <i>(tax deductions, tax losses, tax holidays)</i> List briefly the most relevant and the investment thresholds	<p>Albania's tax system does not distinguish between foreign and domestic investors.</p> <p>Corporate tax is levied at a flat rate of 15%. Businesses with a turnover of less than 14 million ALL are exempt from corporate tax.</p>	<p>Equipment of the foreign investor being imported as part of share capital is exempt from paying customs duties.</p> <p>Tax incentives for investments in equipment.</p>	<p>Tax exempt profits from disposal of financial instruments.</p> <p>Tax exceptions for special purpose investment companies and for collective investment schemes.</p> <p>Tax relief for carrying out manufacturing activities in municipalities with unemployment rate above national average.</p>	<p>Corporate tax reduction and tax holiday up to 10 years depending of the size of the investment.</p> <p>Incentive measures can be used by enterprises registered in the Republic of Croatia investing in fixed assets the minimum amount of: € 50,000 together with creating at least 3 new jobs for microenterprises € 150,000 together with creating at least 5 new jobs for small, medium and large enterprises € 50,000 together with creating at least 10 new jobs for ICT system and software development centers.</p>	<p>Tax deduction on reinvested profit in tangible assets.</p> <p>Tax holidays within the Free Zones profit tax.</p> <p>Certain exemption from VAT for trade made within the free zone and for imports in the free zone.</p>	<p>8-year CIT relief for newly established legal entity performing activities in economically undeveloped municipalities.</p>	<p>10-year tax holiday for investments in fixed assets over EUR 8M and employment of 100 new employees.</p> <p>Tax incentives for start-ups performing innovative business activities and taxpayers investing in its share capital.</p> <p>Tax deduction in double amount for R&D activities.</p> <p>Transfer of operational and capital losses up to five tax years.</p>	<p>Tax losses: reduction of tax base is allowed up to a maximum of 50% of tax base.</p> <p>Tax deductions: for (1) investments in research and development (100% of amount invested); (2) investments in equipment and intangible assets (40% of amount invested); (3) donations (up to 0.3% of taxable income); (4) voluntary supplementary pension insurance (up to 24% of compulsory contributions); (5) carrying out practical training within professional training (in paid amount).</p> <p>*In connection with deductions maximum amounts are determined.</p>

Tax and employment incentives

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
EMPLOYMENT INCENTIVES <i>List the most relevant and the investment thresholds</i>	n/a	n/a	<p>Reimbursement of up to 25% of the eligible costs, or the new jobs created with the investment period amounting to 17.4% of the gross salary and tailored-made incentive solutions with regard to the amount and specifics of every investment.</p> <p>Tax incentives for hiring of unemployed persons and for hiring people with disabilities.</p>	<p>Employment incentives for investments in form of non-refundable financial incentive for the costs of opening new workplaces up to 30% of eligible costs (calculated as gross wage over a period of two years).</p> <p>Incentive measures can be used by enterprises registered in the Republic of Croatia investing in fixed assets the minimum amount of: € 50,000 together with creating at least 3 new jobs for microenterprises € 150,000 together with creating at least 5 new jobs for small, medium and large enterprises € 50,000 together with creating at least 10 new jobs for ICT system and software development centers.</p>	<p>State aid of 20% of the net salary paid, up to 4.400 EURO per employee (under certain conditions).</p> <p>Tax holiday on personal income tax on the salaries for investments in the Free Zones.</p>	<p>Subsidies for employment of persons with disabilities.</p> <p>Subsidies for employment of certain categories of unemployed persons.</p>	<p>Refund of salary tax for hiring new previously unemployed employees: 65% for 1 - 9 new employees; 70% for 10 -99 new employees; 75% for 100 and more employees.</p> <p>Subsidies for employment of persons with disabilities.</p>	<p>Employment of (1) a person under 26 or above 55 who has been at least 6 months registered as unemployed - a reduction of the tax base by 45% of the person's salary; (2) of a disabled persons - a reduction of tax base by 50% or 70% (if 100% physical disability or deaf) of the person's salary.</p>

Route to establishment

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
100% FREEDOM TO ESTABLISHMENT (AND TO BE 100% OWNER OF A LOCAL SUBSIDIARY)?	Yes	Yes (save for media and arms production)	Yes	Yes (upon condition of reciprocity for states other than EU)	Yes (there are certain limitations in cases of purchase of state owned agricultural land)	Yes	Yes	Yes
IF NOT, WHAT ARE THE RESTRICTIONS?	/	Prior approval for ownership of media and arms production facilities	/	/	/	/	/	/
ANY PREFERENTIAL ROUTE FOR STRATEGIC INVESTMENTS	Yes	No	Yes	Yes	No	No	No	Yes
IF YES, TRESHOLDS SET OUT FOR STRATEGIC INVESTMENT?	All Investments => 100 000 000 Euro •Investments in: •Energy and mining; •Transport, infrastructure, •Electronic communications and urban waste; •Tourism; Agriculture and fisheries; •Technological area and economic development at: => 50 million Euro	/	Investment promotion in specific sectors: certificates for investment class EUR 10 million for Class A and EUR 5 million for Class B	Minimum investment 10 mil Eur (except for special undeveloped areas or activities –e.g. fishery- for which the treshold is lower 1,3 mil Eur)	/	/	/	Minimum investment value: - EUR 40,000,000 in manufacturing or service activities; - EUR 20,000,000 in research and development activities.

Route to establishment

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
100% FREEDOM TO RIMPATRIATION OF CAPITAL?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
ANY REQUIREMENT FOR THE DIRECTOR TO BE LOCALLY RESIDENT?	Yes	No	In general, no. Nevertheless, certain anti-money laundering obligations may arise for the company in case its legal representative is not permanently residing in Bulgaria and further registration of such person may be needed.	No	No	Yes	No	No
ANY POSSIBILITY FOR THE FOREIGN INVESTORS TO OBTAIN CITIZENSHIP SOLELY BASED ON HIS INVESTMENT?	Yes, after 5 years residence in Albania	No	Yes, but future changes intend to prevent such possibility	No	Yes	Yes In the period next 3 years starting from 1.1.2019 for up to 2000 applications; investments range from EUR 100.000 in least developed areas to EUR 450.000 in Podgorica	No	It is possible to obtain citizenship provided that it benefits to the state and meets other conditions required by law. The authority has a discretion in deciding

Main reasons to invest in the SEE

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
HIGHLIGHTS	<ul style="list-style-type: none"> • Liberal and reformist investment climate • Competitive labour cost • Young and well educated population • Competitive taxation and incentives • Optimal geographic location • Strong growth potential • Fast access to large markets • Macroeconomic stability 	<ul style="list-style-type: none"> • Skilled labour force • Access to EU market • Potentials 	<ul style="list-style-type: none"> • One of the fastest growing Eastern European economies; • Financial stability with currency board • The EU-membership make the investment safe and predictable • Free movement of goods, capitals and people make the investors feel comfortable and save additional costs for them • Stable macroeconomic environment, highly skilled labor force • One of Europe's lowest operational costs – including the prices of industrial electricity, water, gas, industrial properties, transportation • One of the most favourable tax treatment in the EU - 10% both for corporate income tax and personal income tax; 20%VAT 	<ul style="list-style-type: none"> • Competitive operational costs within EU • Attractive tax and employment incentives • Accessibility - all of Europe in 3 hours – with its strategic position Croatia is an ideal gateway to major markets • Efficient, innovative, highly qualified and multilingual workforce committed to achievement 	<ul style="list-style-type: none"> • Skilled labor force • Access to EU market • Relatively low tax rates • State aid on investments • Free zones with preferential tax treatment 	<ul style="list-style-type: none"> • Low and fixed tax rates • Stable currency • Significant economic freedom • Business-orientated economy • Compliance with EU • Optimal geographic location 	<ul style="list-style-type: none"> • National treatment of all investors • Free zones • Competitive operative costs • Highly qualified labor • Tax Incentives • Access to market of 1.1bn consumers • Optimal geographic location 	<ul style="list-style-type: none"> • Highly qualified labor; • Competitive operative costs • Financial benefits and incentives • Optimal geographic location in the south of Central Europe • Closeness of the countries of the former Yugoslavia and good relations • Transit country • Adriatic See • Land-sea-air transport system • Starting a company is straightforward and easy through single-access points to register a LLC • Corporate culture of transparency and accountability

Main reasons to invest in the SEE

	ALB	BiH	BG	CRO	MAC	MNE	SER	SLO
FASTEST GROWING INDUSTRIES	<ul style="list-style-type: none"> •Manufacturing •Infrastructure •Tourism •Electricity, •Gas •Water 	<ul style="list-style-type: none"> • Energy • Agriculture • Tourism • Textile 	<ul style="list-style-type: none"> • ICT and technology • BPO operations • Manufacturing • Electrical and mechanical engineering • Electronics and manufacturing of auto parts • Chemical industry • Real estate • Food production. • The industrial production and high-tech sectors have been identified as a priority by the government 	<ul style="list-style-type: none"> • Tourism, specially health tourism • ICT 	<ul style="list-style-type: none"> • Automotive • Pharmaceutical • IT • Energy 	<ul style="list-style-type: none"> • Real estate • Tourism 	<ul style="list-style-type: none"> • IT sector • Real Estate 	<ul style="list-style-type: none"> • Pharmaceutical Industry • Metal Production • Transport • Manufacturing • Wholesale and retail trade, repair of motor vehicles and motorcycles

