

Albania Knowledgebase

Payroll, compensation and benefits

Salary structure

In Albania, the base salary refers to the amount an employee is paid, excluding any bonuses, overtime and additional benefits. It is agreed upon in the job contract before the employee begins working.

From April 2023, the minimum wage is 40,000 ALL gross. The new minimum wage will apply across all age groups, ensuring that all employees receive at least this amount before deductions for taxes and social contributions.

In 2025, there are no changes in the minimum salary for Albania.

In Albania, there are no mandatory allowances that employers are required to provide by law. While some employers may offer additional benefits such as transportation, meal allowances, or housing, these are not legally mandated and are typically negotiated between the employer and employee as part of the employment contract.

All allowances are taxable, meaning there are no non-taxable allowances. Any benefits or additional payments provided by employers, such as bonuses, transportation, or meal allowances, are subject to taxation and included in the employee's gross income for tax and social contribution purposes.

In Albania, there are no tax-free allowances. All forms of income, including any allowances or benefits provided by the employer, are subject to taxation and must be included in the employee's gross income.

There are no other types of monetary benefits that are exempt from taxation or mandatory by law. Any additional payments or benefits provided by employers, such as bonuses or performance incentives, are considered taxable income and must comply with the country's tax regulations.

The Total Employment Cost (TEC) is calculated as follows:

Gross salary: The total salary before deductions.

Employer social and health insurance: 16.7% (social insurance 15% and health insurance 1.7%).

TEC = Gross salary + Employer social + Health insurance.

Salary and wages

In Albania, the local currency is the Albanian Lek (ALL). Employment contracts can specify salaries in ALL or foreign currencies, typically in euros (EUR) or US dollars (USD). While salaries can be paid in foreign currency per the employment contract, the salary payment deadline must comply with company policies and be settled by the 5th of the following month to meet regulatory requirements.

The ceiling fee for social contributions is set at 176,416 ALL.

For payroll purposes, a full month is calculated based on actual working days, including annual leave and public holidays.

Salaries are paid monthly, with employees receiving one-twelfth of their annual salary each month.

Generally, there are no mandatory 13th or 14th salary payments, but if offered, they are typically included with the December salary.

Allowances and deductions

In Albania, there is no mandatory allowance for employees, and the private pension system relies on private insurance companies.

Employees are required to fill out reimbursement forms for expense claims; however, all reimbursements are subject to taxation. To ensure that employees receive the net amount after taxes, employers must gross up the reimbursement value.

Regarding payroll declarations, the deadline for submitting these to authorities is the 20th of the following month, which also applies to tax and pension contributions. If the 15th falls on a public holiday or weekend, the deadline is extended to the next working day.

Bonus and incentives

In Albania, performance bonuses are allowable. However, it's important to note that these bonuses are subject to taxation based on the progressive tax brackets.

If an employee's contract includes these types of benefits or incentives, they will all be taxed based on the applicable tax brackets. This includes:

- Commissions
- Profit sharing
- Stock options
- Performance awards
- Referral bonuses

Recognition programs.

All forms of compensation, whether regular salary or additional incentives, are subject to taxation under the progressive tax system.

Employer contributions

Employer contributions are paid on the 20th of the next month. This includes contributions for pensions and other mandatory social security payments. If the 20th falls on a public holiday or weekend, the payment deadline is extended to the next working day.

There are no additional employer contributions beyond the mandatory social and health contributions. Employers are only required to pay the standard 16.7% social and health contribution, with no other additional mandatory contributions.

Business expenses are typically reimbursed on the same date when the salary payment is made. This aligns with the company's payroll processing schedule, ensuring that both salary and any approved business expense reimbursements are handled simultaneously.

Benefits packages

In Albania, health insurance is mandatory, with both employees and employers contributing 1.7% of the employee's salary.

The retirement benefits system operates on a pay-as-you-go basis, where pension amounts are determined by an individual's salary history and length of contributions. While employees receive standard salary and pension contributions, there are no other mandatory employee benefits.

Albania lacks an unemployment insurance system; however, it does provide workers' compensation for those suffering from work-related injuries or illnesses, covering medical expenses, rehabilitation costs, and lost wages during recovery.

To be eligible, employees must be formally employed and part of the social insurance scheme.

Additionally, disability insurance is integrated into the social insurance system, offering support to individuals unable to work due to disability, with benefits based on previous earnings and contribution history. The application process involves submitting medical documentation to the relevant institution for assessment.

Currency and payment considerations

Currency requirements

In Albania, all financial transactions, including salary payments and contractual amounts, could be conducted in ALL or other currency as the transaction contract.

All financial transactions, including salary payments and contractual amounts, could be conducted in ALL if it is written in job contract.

Taxation and compliance

Employee and employer tax obligations

Employee tax obligations are determined based on progressive tax brackets. Employees must pay taxes according to their income level, with higher earnings subject to higher tax rates. This system ensures that taxes are aligned with the employee's earnings.

In Albania, income tax for new joiners is the same as for all employees. It is calculated based on the progressive tax brackets applicable to their earnings, regardless of their start date. All employees, new or existing, are subject to the same tax rates and brackets.

Employer tax responsibilities in Albania includes:

Calculating Taxes: Employers must calculate taxes based on the gross salary of their employees, including income tax and social contributions.

Payment Deadline: Employers are responsible for paying these taxes and contributions to the authorities by the 20th of the next month.

In Albania income tax are calculated for: Tax on source 15%, Tax on dividend 8%. There are no other taxes beyond the standard income tax based on the progressive tax brackets.

Payroll taxes are structured as follows:

Monthly taxable:

Income = 0-50,000 ALL - 0% tax,

Income = 50,000-60,000 ALL - 13% above 35,000ALL

Income = 60,000 ALL and above - 13% of amount between 30,000 ALL

Income = 200,000 ALL and 23% above 200,000 ALL

Payroll declarations and reporting

Monthly Payroll Declarations: Employers must make monthly payroll declarations to report and pay taxes and contributions.

Annual Declarations: There are also annual declarations, but these are done on an individual basis and typically involve personal tax filings.

Termination and severance

In Albania, termination payments are made at the end of the month, following the same schedule as regular salary payments.

There is no additional termination pay required beyond the standard termination payment. Employers are not obligated to provide extra termination benefits beyond what is stipulated in the employment contract or applicable laws.

In Albania, suspending an employee from work can be difficult. Besides making a Mutual Termination Agreement (MTA), there is a high risk of the employee winning a court case if they have a notice period. Additionally, if a fixed-term contract is not terminated within 6 months, it automatically converts into an indefinite contract.

There is no provision for severance pay. Employees are not entitled to severance pay beyond what is specified in their employment contract or legal requirements related to termination payments.