

COVID-19 financial measures adopted by Albania

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1. Introduction

The first known Albanian COVID-19 infected patient was discovered in 9 March 2020. On same day, the Government decided to close all education institutions and terminate all sport and art activities as well as other public and private activities at nationwide scale. This was followed, by the obligatory closure of business activities considered a high risk for the spread of COVID-19 due to concentration of people namely night clubs, indoor facilities dedicated to entertaining children and young people, gyms, sports centres, swimming pools, cultural and entertainment centres.

The closure of bars, restaurants, fast foods and dental clinics was the next step. Since the 20th of March, only specific business activities allowing the population to have access to essential goods and services and their suppliers, along with financial institution are allowed to operate. However, some undertakings in the agriculture and industry sector as well as some retail shops were also allowed to exercise their activity¹.

Since 16th of March strict measures have entered into force restricting all movements to a minimum in order to protect the health of the Albanian citizens well as to maintain a proficient health care system. Consequently, public transport is stopped, curfews on movement of private cars and pedestrians are imposed. Additionally, Albanian borders are closed. In general, Albanian citizens are requested to stay at home

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¹ Order No. 193, dated 20.3.2020 of the Minister of Health and Social Protection Official Gazette Nr. 62 (2020). List of Activities.

and work from home. All the above-mentioned measures will continue for an indefinite period of time.

On 24th March the Albanian Government decided the state of natural disaster aiming to prevent or avoid the consequences of COVID-19 outbreak, for a period of thirty days. Only with the consent of the Parliament can the state of natural disaster be extended².

Expressly provided by the Constitution, rights and freedoms such as inviolability of the residence, freedom of movement, the right to a compensation in case of expropriations or limitations of a property, right to work as well as right to strike can be limited during the state of the natural disaster.

Albania considers that the COVID-19 outbreak has impacted and will continue to impact the economy. Consequently, on the 21st of March the Albanian Government adopted a normative act changing the 2020 budget law³.

Review of the 2020 aimed to reflect the reduction of the income, increase in the expenditures as well as increase of budget deficit and public debt in Albania. While the key financial measures will be analysed below, it should be taken into consideration that as the matter progresses the Albanian Government will adopt more measures coping with the consequences of the unprecedented crisis.

2. Measures for businesses

Aiming to help businesses due to the situation created as a result of the isolation and suspension of commercial activities because of coronavirus, the Albanian Government on the 26th March approved a normative act providing for the postponement of the payment of the profit tax⁴.

This tax is paid by any person, independently of the legal status or form, which is subject to the value added tax (VAT). Only businesses which are subject to the simplified profit tax, are excluded⁵.

Another tax the payment of which was postponed by another normative act⁶. The profit tax and the simplified profit tax are usually paid through advanced payments on quarterly basis through the year⁷.

² Article 174 Albanian Constitution.

³ Normative Act No. 6, dated 21.03.2020; Official Gazette No. 45 (2020).

⁴ Normative Act No. 10, dated 26.03.2020; Official Gazette No. 53 (2020).

⁵ Only businesses with an annual turnover ranging between, 5 to 8 million Albanian leke are subject to simplified profit tax at a rate of 5%. See Articles 10 & 11 of the Law no. 9632, dated 30.10. 2006 "On local taxes".

⁶ Normative Act No. 11, dated 27.03.2020; Official Gazette No. 53 (2020).

⁷ The simplified profit tax is paid in four prepaid rates: the first has to be paid within 20th April, the second no later than 20th July, the third one no later than 20th of October and the last one no later than 20th December of the coming year. The income tax is paid in four prepaid rates: the first rate within 30th

Pursuant to the changes introduced by the by the above-mentioned normative acts they will be prepaid twice a year: October and December 2020.

The postponement of payment of the simplified profit tax is a horizontal measure applied to all business subject to it. On the contrary, the postponement of the payment of the profit tax applies only to small businesses, excluding the large business⁸.

In Albania, the categorization small and large business is based on the annual turnover⁹. Importantly, the Government will not postpone/suspend the payment of the VAT and social security contributions, although the requests of the businesses.

In order to ensure liquidity, for the payment of wages short-term loans will be guaranteed by the state¹⁰. To this aim a sovereign guarantee fund will enable companies whose activity has been suspended or whose turnover is severely affected due to measures taken to prevent the spread of coronavirus to pay the wages of their employees for up to three months.

However only large businesses can apply for the above-mentioned short-term loans. Other workers employed in small businesses (will) have received wage subventions funded by the state, as will be explained below.

3. Support for employees and unemployed citizens. The first financial package – the social package

The social package aims to support workers, unemployed citizens who lost their jobs and people in need severely affected by the suspension of work in the whole territory of the country.

Pursuant to the Council Minsters' decision no. 254/2020¹¹, employees with a contract of employment¹² will receive wage subvention(s) equal to the minimal wage in Albania¹³. Only employees of small businesses, which have temporarily suspended

March; the second rate within 30th June; the third rate within 30th September; the fourth rate within 30th December.

⁸ See Article 1(c) of the Normative Act No. 10, dated 26.03.2020; Official Gazette No. 53 (2020).

⁹ Businesses with an annual turnover no more than 14 million leke are considered small businesses.

¹⁰ To this aim the Government has approved a state guarantee line of 11 milliard Albanian leke, in favor of second level banks that exercise their activity in the territory of Albania. Short term loans with an interest rate capped at 2.85% for a maturity period of up to two years, will be available. Decision of the Council of Ministers no. 60 dated 6.04.2020; Official Gazette No. 60 (2020).

¹¹ Decision of the Council of Ministers No. 254, dated 27.03.2020; Official Gazette No. 53 (2020).

¹² Pursuant to the Council Ministers Decision No. 1251 dated 10.09.2008 entrepreneurs and companies registered with the National Registration Center as small business are obliged to declare to the tax office all the persons, working in their commercial activities, including themselves and unpaid members of the families with whom they legally work and cohabit, as well as to calculate and pay the contributions according to the legal framework in force.

¹³ The minimal wage is 26.000 Albanian leke. See Decision of the Council of Ministers No. 809, dated 26.12.2018; Official Gazette No. 189 (2020).

their economic activities based on the orders of the Minister of Health and Social Protection can be beneficiaries of the above-mentioned wage subvention¹⁴.

Additionally, also self-employed registered entrepreneurs can be beneficiaries of wage subsidies equal to the minimal wage, only if they meet the criteria provided for employees of the small business analysed above¹⁵.

Concerning unemployed persons¹⁶ a doubled unemployment payment is being provided for them. All unemployed jobseekers registered until 10 March 2020 will benefit from this increased unemployment benefit¹⁷.

Moreover, also citizens whose employment contract is terminated due to the temporary suspension of the economic activities as a result of COVID-19, will be beneficiaries of an unemployment allowance, after having respected all the legal procedures.

Finally, families in need, orphans as well as victims of trafficking or domestic violence etc. already living on social assistance payments¹⁸ will also benefit from a doubled social assistance payment.

Pursuant to Council Ministers' decision no. 254/2020, beneficiaries of this increased compensation are those who already were receiving such a payment and those who have applied for such payment before the 10th March 2020.

The abovementioned wage subventions can last no longer than three months starting from the 1st of April.¹⁹

4. The second financial package – the extended package

The extended financial package²⁰ aims to support employees of large businesses as well as employees of small businesses which were allowed to continue their activities. Although, some small businesses were not forced to close activities, their turnover has been affected by the restrictive measures taken due to COVID-19 outbreak.

On the other hand, the employees of large businesses did not benefit from the social package analysed above. However, only employees of large businesses which were obliged to suspend their work are entitled to a wage subsidy. Finally, employed persons in the tourism sector, only in accommodating structures, will as well receive a wage subsidy.

¹⁴ Order No. 193, dated 20.3.2020 of the Minister of Health and Social Protection Official Gazette Nr. 62 (2020). List of Activities.

¹⁵An annual income no more than 14 million Albanian leke and the activity should have closed base on the orders of the Minister of Health and Social Protection. See Decision of the Council of Ministers No. 254, dated 27.03.2020; Official Gazette No. 53 (2020).

¹⁶ Decision of the Council of Ministers No.161 dated 21.03.2018; Official Gazette No. 41 (2018).

¹⁷ Decision of the Council of Ministers No. 254, dated 27.03.2020; Official Gazette No. 53 (2020).

¹⁸ Decision of the Council of Ministers No. 597, date 4.9.2019. Official Gazette No. 85 (2019).

¹⁹ Decision of the Council of Ministers No. 254, dated 27.03.2020; Official Gazette No. 53 (2020).

²⁰ Decision of the Council of Ministers No. 305, date 16.04.2020.

All the above-mentioned beneficiaries will receive only a single wage subsidy,²¹ funded from the state budget.

5. Conclusions

The Albanian authorities are implementing different types of measures with different aims, trying to reduce the size and the degree of the effects COVID-19 outbreak.

At present, the Albanian Government has approved ten normative acts with the power of the law. Mostly, accompanied by explanatory notes which instead of explaining copy and paste the law/the normative act. Additionally, many pages of new sublegal acts poorly written, even published as “draft-decision” in the Official Gazette, are being implemented. Importantly, the Albanian Constitutional Court has lost its decision-making quorum since the beginning of June 2018²².

The on-going judicial reform, *inter alia*, obliges all members of the judiciary to pass a vetting process, which includes evaluation on the basis of three pillars: assets, connections with organized crime and performance. Only one out of nine constitutional judges managed to pass such re-evaluation process.

The coronavirus is affecting and will continue to affect the Albanian economy. One remark should be made with regard to the State aid rules as the already announced measures or future measures supporting the citizens or companies, may entail State aid. Pursuant to the Stabilisation and Association Agreement with the European Union, Albania should prohibit any State aid which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods. However, Article 7 (a) of the Albanian law on State aid mirroring Article 107(3) (b) of the Treaty on the Functioning of the European Union (TFEU) allows aid to make good damage caused by natural disaster or exceptional occurrences. Using Article 107 Article 107(3) (b) TFEU as a legal base the European Commission has approved a “Temporary Framework for EU State aid in Response to COVID-19 Outbreak”.

In order to remedy the serious disruption the EU economy is facing five types of aid are provided. Taking this into consideration, the Albanian State Aid Commission (SAC) the authority supervising the implementation of State aid rules in Albania can advise the Albanian authorities on how to design types of aid supporting the economy, which are permitted.

²¹ 40.000 Albanian leke, the financial effects of this measure are estimated at cost of 7.040 milliard Albanian leke, funded by the state budget. Decision of the Council of Ministers No. 305, date 16.04.2020.

²² Although three new Constitutional Court Judges were appointed in November 2019

Moreover, the above-mentioned framework should be used by the SAC when assessing State aid schemes or individual aid notified to it. At present, the Albanian State Aid Commission²³ has approved one COVID-19 State aid scheme, however all State aid schemes should be *ex ante* scrutinised.

²³ Decision of the Albanian State Aid Commission No. 96, dated 27.03.2020; Official Gazette No. 53 (2020).