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REPUBLIC OF ALBANIA

**PEOPLE'S ASSEMBLY
ACT**

No. 7703, date. 11.05.1993

**ON SOCIAL INSURANCE IN ALBANIA REPUBLIC
AND THE AMENDMENTS DONE BY LAWS**

No.7932, date 17.05.1995; No.8286, date 16.02.1998; No.8392, date 2.09.1998;
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27.12.2001; No.8889, date 25.04.2002; No.9058, date 20.03.2003; No.9114,
date 24.07.2003

Based on article 16 of Act No. 7491, date 29.4.1991 "On main constitutional provisions", being proposed by Council of Ministers,

**PEOPLE'S ASSEMBLY
OF
ALBANIA REPUBLIC**

D E C I D E D:

PART I

GENERAL PROVISIONS

Article 1

General Social Insurance System

Social Insurance Bill of Albania regulates relations on social insurance field. The general system of social insurance is consisted of compulsory insurance, voluntary, supplementary and special state pensions.

Article 2

Compulsory Insurance

Compulsory insurance is non-profit making scheme, protecting by benefits:

a) employed persons in respect of:

- temporary incapacity due to sickness,
- maternity,
- old-age, disability and loss of breadwinner,
- employment accidents/occupational diseases,
- unemployment, and

b) other economically active persons (employers and self-employed people) in respect of:

- maternity,
- old-age, disability and loss of breadwinner,

With paid contributions, a cash payment is guaranteed to compensate loss of earnings at least for an amount that covers a minimum subsistence living standard, to be determined by Council of Ministers.

When appropriate, it also may provide benefits in kind, in place of or in addition to cash benefits, in conformity with the SII regulations.

Article 3

Voluntary Social Insurance

The person, being compulsory insured, that for a time and reasonable causes can not be longer compulsory insured, has the right of continuation in insurance under the voluntary system.

Voluntary social insurance is also possible for the period of university studies, provided the insured person shall contribute upon that period, before the date he becomes eligible to benefit from.

Voluntary social insurance could also be extended upon persons, not covered under Art. 2.

Voluntary social insurance, under this provision, shall be organized in conformity with conditions set in SII regulations.

Article 4

Supplementary Social Insurance

The Council of Ministers may set up a supplementary insurance scheme for the civil servants' supplementary pensions.

The Council of Ministers may authorize any legal subject to provide supplementary benefits, under conditions to be determined by law.

Supplementary social insurance of military personnel, serving in Army Units of Albania Republic, State Police and State Information Service is to be set up by criteria, to be determined under a special Law.

Article 5

Special State Pensions

There are eligible for special state pensions all persons who

a) have participated in the National Renaissance Movement, in popular movements, in anti-fascist war, inside or outside of Albania, in the defense of borders and territory integrity of Albania, in democratic movement and have special merits;

b) achieved remarkable results in the field of science, culture, arts, economy and politics;

c) suffered from political persecution under the communist regime.

Persons enumerated on letters a, b, c of this article are eligible for:

- special state pensions, if such persons have not acquired a right to a social insurance pension, or

- special state pension supplements to their social insurance pension.

The eligibility conditions, amount and procedure for the award of special state pensions and special state pension supplements shall be determined by the Council of Ministers.

The Council of Ministers has the right to decide commissioning the administration and delivery of the special state pensions to the SII, provided the costs shall be supported from the State Budget.

PART II

PERSONS PROTECTED UNDER SOCIAL INSURANCE

Article 6

Compulsory Protection

~~Social Insurance shall provide compulsory protection to all economically active citizens in Albania in case of income reduction due to~~

- maternity,
- old-age,
- disability and
- loss of breadwinner.

Social Insurance shall further protect all the employed persons in case of reduction of earnings due to:

- temporary incapacity caused by sickness,
- employment accidents/professional diseases and
- unemployment.

The Council of Ministers may decide on other area of protection and on exceptions for:

- a) seasonal and temporary workers,
- b) self-employed people in agriculture,
- c) unpaid family workers of self-employed people,
- d) apprentices and students during the period of practice; these persons are insured by employers for employment accidents only.

Article 7

Foreign Workers and Albanian Citizens Abroad

Social Insurance shall also provide protection to:

- a) Albanian citizens working abroad, under the conditions set down by SII regulations and ratified conventions;
- b) foreign citizens working in Albania for Albanian employers,

c) foreign citizens working in Albania for non-Albanian employers provided they do not enjoy other more favorable social insurance protection.

Article 8

Period of Protection

Social insurance coverage shall start on the date the protected person has legally started the economic activity and shall end on the date that economic activity legally terminates.

Voluntary social insurance coverage starts on the date determined by an insurance contract and terminates on the date the contract expires.

Period of protection in respect of old-age pension, invalidity pension and survivors pension is the period when a person gets benefits from social insurance due to sickness, maternity, employment accidents/occupational diseases and unemployment. Contributions in their favor shall be transferred from the accounts of the respective branches. Details shall be determined by SII regulations.

PART III

CONTRIBUTIONS

Article 9

Types of Contributions

Employed persons and their employers shall be liable to pay contributions in respect of sickness, maternity and pensions of an amount depending on their total wage (gross). The contribution can not be awarded under a minimum and over a maximum monthly wage.

The employers shall pay contributions in respect of employment accidents & occupational diseases and unemployment.

Economically active persons shall be liable to pay monthly contributions in respect of maternity and pensions at a flat-rate level.

The self-employed persons in agriculture shall be liable to pay contributions in respect of maternity and pensions. The amounts and criteria are to be determined by Council of Ministers.

The state shall pay contributions in respect of citizens performing their compulsory military service and in respect of the categories of persons determined by laws and decisions of Ministers' Council, depending on their economic activity prior to such a service.

Article 10

Contribution Rates

Contributions to the social insurance fund, to be paid in respect of sickness, maternity and pensions by:

a) the employers shall be 23.5% of payroll (gross),

b) the employed person shall be 9.5% of his total remuneration (gross).
The minimum contribution for employed person, employer and self-employed person is equal. The maximum amount of contribution shall be 5 times the minimum one. The exact minimum amount of contribution shall be decided by Council of Ministers.
Self-employed people in agriculture pay flat-rate contributions at a rate paid by self-employed persons, and not less than 2 times per year, according to a Council of Ministers' Decision.

Article 11

Voluntary Contribution

Voluntary contributions shall be payable by insured persons at amounts and in time limits, agreed in voluntary insurance contract. Voluntary contributions shall have the same regime as compulsory contributions.

Article 12

Self-employed and employed persons may, under conditions specified by SII regulations, conclude voluntary social insurance contract to acquire

- a) a higher amount of benefit,
- b) benefits, which are not compulsorily provided to them.

Private employers may be voluntarily insured, paying contributions up to maximum level, for an old age, disability and survivors pension at an amount not exceeding twice the minimum amount.

COLLECTION OF CONTRIBUTIONS

Article 13

Liability of Contributions Payment

1. Contributions shall be paid by insured persons.
2. Contributions of persons employed under an employment contract shall be shared by the insured person and his employer in conformity with the provisions of this Act, and paid by the employer.
3. Persons liable to pay contributions shall be responsible for their proper calculations and payment. In respect of each employee, the employer shall be liable to deduct the wage with contributions and transfer them to SII or General Tax Directorate.
 - Ministers' Council is charged to determine the stages of the contribution collection transfer process from SII to General Tax Directorate.
 - Social insurance inspectors have the right to audit paid contributions amounts, wage fund, and pay rolls in enterprises, companies, institutions and other entities.
4. Any difference in the amount of contributions shall be recovered within 5 years of the payment, together with a penalty.

Article 14

Distribution of Contributions

Contributions paid in respect of employed persons shall be distributed among three branches, which administer the social insurance fund:

- a) sickness insurance branch, 0.8% of payroll,
- b) maternity insurance branch, 2.3% of payroll,
- c) pensions insurance branch, 29.9% of payroll.
2. The employer shall moreover pay to the:
 - a) employment accidents/occupational diseases insurance branch 0.5% of payroll,
 - b) unemployment insurance branch 5.0 % of the payroll.
3. SII shall differentiate the contribution rate concerning accidents insurance, in conformity with level of life danger; several branches of economy represent.

Article 15

Payment of Contributions

Contributions to the social insurance fund shall be payable monthly, not later than by the end of the following month.

The Council of Ministers shall determine the way and procedure of contribution payment.

Employer is obliged to submit his payroll of a standard form to social insurance agency every month, in spite of payment of contributions.

Employer shall pay contributions every month by using a standard payment order, and the paid total of contributions must be the same as the total described in payrolls. Self-employed, private employers and self-employed in agriculture might pay contributions during the calendar year once in three months. Deadline for payment shall be not later than the last day of the third month, within each calendar quarter.

The act stipulating that contribution payment is compulsory is considered an executive title and executed by the bailiff's office.

Article 16

Sanctions

1. Fines

If contributions are not paid within the time terms set under this Act, the responsible juridical and physical persons shall pay the fines to be calculated on the unpaid contributions since the date they were compulsory to the date of payment.

Contributions paid beyond terms set under this Act shall be increased by a fine, which shall be equal to 2 % for the first month of delay and 1.3% for the rest of the months.

The minimum fine shall not be less than 5% of the liability.

The fines shall be declared by the juridical or physical person in the statement of the month following the month of liability commencement and paid within the date determined for contribution payment. If the fines are not declared and paid in the coming month, the bodies charged with contribution collection shall issue an evaluation statement of the fines and inform the juridical or physical person about it.

2. Penalties

Where the following cases are not deemed to be illegal acts, besides meeting the obligation of paying the contributions, they are subject to penalties:

- For not registering the economic activity with the contribution collection office, the employer shall pay a penalty of 60 000 Lekë, while the self-employed shall pay a penalty of 20 000 Lekë.

- For delayed registration of a new economic activity with the contribution collection office the employer shall pay a penalty of 30 000 Lekë and self-employed persons shall pay a penalty of 10 000 Lekë.
- For delayed submission of the documents required from the responsible contribution collection office, the employer is obliged to pay a penalty equal to 10 % of the contribution declared with delay, but not less than 10 000 Lekë, while the self-employed shall pay 10 000 Lekë.
- In case the documents submitted by the employer comprise defaulted contribution-related figures aiming reduction of contributions, the employer must pay 50 000 Lekë.
- In case employer has deducted social insurance contributions from employed person's wage, but has not paid it, penalty imposed equals 50 000 Lekë.
- If the employer does not keep the records in conformity with the determined procedures, the penalty to be paid is 30 000 Lekë.

The penalties shall be determined by social insurance inspectors.

Article 17

Appeals

Any person shall have the right of appeals to a court against the decisions on penalties of SII agency inspectors.

Article 18

Priority of Contributions

Payment of contributions enjoy a priority in comparison with fiscal liabilities and debts.

- For the contributions not paid by entities within the deadline, social insurance organs have the right of producing a compulsion mandate, which is an executive title, and executed by the bailiff's office.

PART IV

Article 19

Cash Benefits

~~Cash benefits to beneficiaries shall be payable under the following branches:~~

- a) ~~sickness insurance branch,~~
- b) ~~maternity insurance branch,~~
- c) pensions insurance branch,
- d) employment accidents/occupational diseases insurance branch,
- e) unemployment insurance branch.

CHAPTER I

SICKNESS BENEFIT

Article 20

Under the sickness insurance branch the following benefits shall be awarded:

- a) sickness benefit,
- b) sickness allowance, as compensation of job place changing.

Article 21

Conditions of Eligibility

1. The insured person shall be awarded a sickness benefit, provided he is medically certified as being temporarily incapable to work and such incapacity is not due to an employment accident/occupational disease.
2. The insured person shall also be entitled to a sickness benefit within 30 days following his termination of compulsory insurance. This shall not apply, if the employee was dismissed for criminal act, according to a Court Decision.

Article 22

Benefit Amount

1. The rate of sickness benefit shall be 70% of the daily average of the annual assessment basis of the last calendar year, if the insured person has up to 10 insurance years, and 80%, if the insured person has got more than 10 years of insurance.
2. The sickness benefit is 50% of the daily average of the annual assessment basis of the last calendar year in any period the beneficiary is hospitalized provided he does not support any dependent.

Article 23

Benefit Period

1. The benefit period under temporary incapacity shall start on the 15th day of medical certification of such incapacity and shall last for not more than 6 months from the beginning of the payment.
2. The benefit period may be exceptionally prolonged up to another 3 months, provided a MEC (Medical Experts Committee) certifies that the insured person concerned shall recover in that period and be not eligible to a disability pension.
3. Temporary incapacity benefit period shall be 3 months from the starting of payment for beneficiaries who are entitled to a partial disability pension.
4. Benefit period for seasonal and temporary workers, who have been employed at least 3 months in the last 12 months, shall be up to 75 days.

Article 24

Sickness Allowance Awarded to Compensate Job Place Changing or Reduction of Working Hours

1. The insured person, that due to health reasons and by decision of a Competent Medical Committee changes employment, shall be eligible to income compensation by social insurance.
2. The amount of compensation shall equal to the difference between the previous and present wages. This compensation should not exceed 50% of daily average of the assessment basis of last calendar year.

3. The benefit period should not exceed 3 months within one year from the date the disease, due to which the employment was changed, began.

Article 25

Employer's Liability

Benefits in case of sickness, for periods up to the first 14 days, or nursing a dependent child, shall be the liability of the employer, to be determined under the Labor Code and employment contract, as well, or according to the agreement with the workers representatives, but not less than the payments defined in this Act.

CHAPTER 2

MATERNITY BENEFITS

Article 26

Under the maternity insurance branch the following benefits shall be awarded:

- a) maternity benefits,
- b) maternity allowance, due to employment change.
- c) birth grant.

Article 27

Maternity Benefit

1. The maternity benefit shall be payable to a woman with regard to pregnancy and childbirth, provided she has acquired 12 months of social insurance.
2. The benefit period shall be 365 calendar days, including a minimum of 35 days prior to and 42 days after childbirth. For woman that during the pregnancy would have more than one child, the benefit period shall be 390 calendar days, including a minimum of 60 days prior to and 42 days after child birth.
3. The rate of maternity benefit for insured woman shall be:
 - 80% of daily average of the annual assessment basis of last calendar year - for the period prior to birth and for 150 calendar days, - after the birth;
 - 50% of daily average of the annual assessment basis of last calendar year for the rest of period.
4. The amount of maternity benefit for economically active women shall equal to the base flat-rate old-age pension.
5. When a child of up to one year of age is adopted, the adoptive mother, having not less than 12 months of insurance, shall have a maternity benefit beginning from the day the adoption occurred, but not prior the 42nd day of childbirth, subject to a maximum of 330 days from baby delivery. The minimum period of benefit, for the adoptive mother, shall be 28 days.
6. When a child is adopted during the maternity leave, the ~~real~~ mother shall have a benefit period until the day the adoption occurred, but not less than 42 days after childbirth.

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Article 28

Maternity Allowance Benefit

1. The maternity allowance benefit shall be awarded to reimburse loss of wage of an insured person who has to change employment for reasons of pregnancy, in conformity with a decision of MEC, provided one year contributions have been paid, prior to being eligible to benefit.
2. The amount of such a benefit shall equal to the difference between the previous and at present wages, subject to a maximum of 50% of daily average of annual assessment basis of last calendar year.

Article 29

Birth Grant

1. A birth grant shall be awarded to an insured person who is the mother or father of a new-born child, provided one of them has contributed for one year prior to the childbirth. The grant shall be payable only once and the mother shall have priority in eligibility, if insured.
2. Birth grant for each new-born child shall be a lump sum equal to 50% of the monthly minimum month.

CHAPTER III

PENSIONS

Article 30

Under the pension insurance branch the following benefits shall be awarded:

- a) old-age pension,
- b) partial old-age pension,
- b/1) reduced old-age pension
- c) disability pension,
- d) partial disability pension,
- e) allowance for helplessness,
- f) supplement benefits for dependent child,
- g) survivors pensions,
- h) death grant.

OLD-AGE PENSIONS

Article 31

Conditions for Eligibility

The insured persons shall be eligible to a full basic pension at the age 65, men, or 60, women, provided they have:

- a) completed 35 years of insurance, and
- b) retired from economic activity.

* medical experts committee

Article 57**Withdrawal of Benefit Installments**

Benefits shall replace loss of earnings from employment or other economic activity.

2. The beneficiary has no right to installments of benefits for any period, in respect of which he was eligible to wage or other income as employed or self-employed under economic activity.

3. Benefit installments delivery shall be suspended for any time the beneficiary is employed or otherwise economically active.

4. Benefit shall not be withdrawn only in cases where the law explicitly expects employment and economic activity (e.g. partial disability pension)

Article 58**Insurance Periods**

1. Periods of insurance shall include all periods

a) for which contributions were paid,
b) during which a benefit was awarded by social insurance, including partial disability pension receipt period.

2. The Council of Ministers may declare other periods as insurance periods; provided it reimburses the Social Insurance Fund from the State Budget.

Article 59**Assessment Basis for Benefits**

1. The assessment basis for all benefits shall be the wages and salaries in respect of which contributions were paid continuously during 3 successive years in the last 10 years of employment. Beyond 1996 the assessment basis shall be calculated upon the wages, which contributions are paid for, since 1994 till last year of employment.

2. The annual assessment basis for calculation of sickness, maternity and other short-term benefits, shall be the total annual wage in respect of which contributions were paid.

3. The individual annual assessment basis for initial calculation of pensions shall be increased each year by an average increment upon the average total of contributions, as compared with total average contributions per capita, collected in the preceding year.

4. The SII shall regularly show the minimum level of pension, the basic pension and propose, according to a minimum standard of living, an increase of basic pension for the next financial year as well as indexing of the minimum pensions already awarded.

5. Disability pensions shall not be calculated on assessment basis lower than what once had been awarded. Once disability pension is acquired, the pension amount shall be considered as minimum pension, when calculating any other pension under the Social Insurance Act.