



bogalaw
LEGAL • TAX • ACCOUNTING

INVESTMENT IN KOSOVO

12th Edition

2023





bogalaw
LEGAL • TAX • ACCOUNTING

INVESTMENT IN KOSOVO

12th Edition

2023

The information contained in Investment in Kosovo is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Albania

40/3 Ibrahim Rugova Str.

1019 Tirana, Albania

Tel: +35542251050

Kosovo

50/3 SylejmanVokshi Str.

10000 Pristina, Kosovo

Tel: +38338223152

boga@**bogalaw.com** | www.bogalaw.com



Dear reader,

We are pleased to present to you the “Investment in Kosovo” 2023 edition.

This handbook is a guide to the Kosovo legal and tax system. It gives an informative view of the key aspects of investing or doing business in Kosovo covering a wide range of topics, such as aspects of business law, labor law, tax law, and other areas of practice.

The information contained in this handbook is of general nature and is intended only to provide an introduction to the Kosovo investment climate and legal and tax system. It may not be relied upon in relation to any investment decision and it should not be viewed as a substitute for any specific legal and tax advice. The information reflects the situation as of January 2023, unless otherwise stated.

If you require more information about any of the topics covered in this handbook, our team of professionals will be happy to assist you.

Hope you find this a useful tool in doing business in Kosovo.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Genc Boga', with a large, stylized flourish extending to the left.

Genc Boga
Managing Partner
Boga & Associates

TABLE OF CONTENTS

| | | |
|------------------|--|----|
| Chapter 1 | General Information | |
| | Fast Key Facts | 9 |
| | A Brief History of Kosovo | 10 |
| | Geography and Climate | 11 |
| | Population and Language | 11 |
| | Government and Political System | 12 |
| | Legislative Structure | 13 |
| | Judicial System | 13 |
| | EU Mission – Eulex | 13 |
| | Defence | 13 |
| | Visa System for Foreigners Traveling to Kosovo | 15 |
| | Residence of Foreigners | 18 |
| | Residence Permit | 18 |
| | Certificate on Employment Notification | 21 |
| | Accommodation | 21 |
| | Working Hours | 21 |
| | Transportation | 22 |
| | Telecommunication | 22 |
| | | |
| Chapter 2 | Economic Situation Overview | |
| | Basic Economic Indicators | 23 |
| | Fiscal Sector | 25 |

| | | |
|------------------|---|----|
| | Other Financial Institutions..... | 28 |
| | Trade..... | 29 |
| Chapter 3 | Business Sector Opportunities for Investment | |
| | Opportunities and Incentives for Foreign Investors..... | 31 |
| | Energy and Mining..... | 32 |
| | Favorable Agriculture Potentials..... | 32 |
| | Foreign Investments..... | 33 |
| | Location Advantage..... | 34 |
| Chapter 4 | Business Law | |
| | Types of Business Entities..... | 35 |
| | Accounting Regulation..... | 38 |
| | Financial Statements..... | 40 |
| | Audit Requirements..... | 41 |
| Chapter 5 | Taxation of Businesses | |
| | General..... | 42 |
| | Residence..... | 42 |
| | Corporate Income Tax..... | 42 |
| | Withholding Taxes..... | 45 |
| | Indirect Taxes..... | 47 |
| | Local Taxes..... | 52 |
| Chapter 6 | Taxation of Individuals | |
| | General..... | 55 |
| | Residence..... | 55 |
| | Taxable Income..... | 55 |
| | Tax Exempt Income..... | 56 |
| | Personal Income Tax Rate..... | 57 |
| | Pension Contributions..... | 58 |
| | Taxes on Individual Business Activities..... | 58 |

| | | | |
|-----------|---|--|----|
| Chapter 7 | | Labor Law | |
| | | General Issues | 59 |
| | | Working Conditions | 59 |
| | | Employment Contracts | 60 |
| | | Holiday/Paid Leave | 63 |
| Chapter 8 | | Acquisition and Registration of Immovable Property | |
| | | Registration of Immovable Property | 66 |
| | | Land Acquisition and Related Matters | 67 |
| Chapter 9 | | Government Controls | |
| | | Competition Law | 69 |
| | | Prohibited Agreements | 69 |
| | | Determining Dominant Position and Misuse of the Dominant Position | 71 |
| | | Concentrations | 72 |
| | | Appendixes | |
| | • | Annual Declaration and Payment Form for Corporate Income Tax | 74 |
| | • | Annual Declaration and Payment Form for Personal Income Tax | 78 |
| | | Boga & Associates Services at a Glance | 81 |
| | | Boga & Associates Awards | 83 |

GENERAL INFORMATION

FAST KEY FACTS

Area

10,900 sq. km

Land Use

53% Agriculture, 41% forests

Population

1.77 million (est. 2021)¹

Average Monthly Gross Wage

EUR 484 (2021)²

Capital

Pristina (est., population 213,162)³

Official Languages

Albanian, Serbian

Currency

EUR

1 Source: KAS – Kosovo Agency of Statistics (2021)

2 Source: KAS – Kosovo Agency of Statistics (2021)

3 Source: <https://worldpopulationreview.com/world-cities/pristina-population>

A BRIEF HISTORY OF KOSOVO

At the heart of the Balkans, Kosovo was part of the Roman Empire, then Byzantium, and part of the Ottoman Empire in the early 15th century. Kosovo became part of Serbia prior to the First World War, and part of Yugoslavia just after it. In the Socialist Federal Republic of Yugoslavia (SFRY), Kosovo enjoyed a certain degree of autonomy from 1974 to 1989. The SFRY began to break up during the early 1990's with Slovenia, Croatia and Bosnia and Herzegovina breaking away from the state. During 1998 the Serbian police and military took a brutal campaign against ethnic Albanians in Kosovo which led Kosovo in the war.

During this campaign over 800,000 ethnic Albanians were expelled by force from their homes in Kosovo and tens of thousands of people were killed.

As a result of the brutal campaign and ethnic cleansing, the international community attempted a settlement at the Rambouillet Accords, which offered autonomy for Kosovo alongside a NATO presence. Serbia's failure to agree led to 78 days aerial bombing on the Federal Republic of Yugoslavia (F.R.Y.).

UN Security Council Resolution 1244 (1999) placed Kosovo under a transitional administration, the UN (Interim Administration) Mission in Kosovo (UNMIK). Under the resolution, Serbia's territorial integrity was protected, but it was UNMIK that assumed responsibility for governing Kosovo. KFOR, the NATO-led peace implementation force, provided military security in Kosovo.

In 2001, UNMIK promulgated a Constitutional Framework, which established Kosovo's Provisional Institutions of Self-Government (PISG). An UN-led process began in late 2005 to determine Kosovo's future status. Negotiations held between 2006 and 2007 on issues related to decentralization, religious heritage, and minority rights failed to yield a resolution between Serbia's willingness to grant a high degree of autonomy and the Albanians' call for full independence for Kosovo. On February 17, 2008, the Kosovo Assembly declared its independence from Serbia, which was recognized by the USA, the majority of EU countries and other nations. Since then, the Republic of Kosovo has been an independent, sovereign and democratic country and a potential candidate for European Union (EU) membership.

In recent years, the country has accelerated its integration process into the EU, including through the Stabilization and Association Agreement (SAA), signed on 27 October 2015 and entered into force on 1 April, 2016.

On July 1, 2018, the European Commission confirmed that Kosovo has fulfilled all outstanding visa liberalization benchmarks. Decision on Commission's proposal is pending in the EP.

GEOGRAPHY AND CLIMATE

Kosovo is situated in the south-eastern part of Europe and in the central part of the Balkans. In the Southwest it is bordered by Albania, in the Northwest by Montenegro, in the Northeast by Serbia and in the South by North Macedonia.

Kosovo covers a surface area of approx. 10,900 km² and is characterized by an average altitude of 800 m above sea level. The lowest point of Kosovo is located at an elevation of 270 m, Drini i Bardhe (White Drin River), at the border to Albania. The country rises to its highest point in the South of Kosovo, in Gjeravicë at 2,656 m.

The Bjeshkët e Nemuna or Albanian Alps divide Kosovo from Albania in the southwest while Kopaonik Mountain in the north, borders Serbia. The central region of Drenica and the eastern part of Kosovo are mainly hilly. Between these hills and the surrounding mountains are 2 plains in the eastern part. The river Drini i Bardhë (White Drin) runs from Western Kosovo toward the Adriatic and the Ibri snakes across the north of the country.

The climate is continental with some Mediterranean and alpine influences, characterized with warm summers and cold and snowy winters. The temperatures range from +30° C in the summer, to -10° C in the winter.

The administrative capital and the largest city is Pristina (in Albanian: Prishtina), while other big cities are Peja, Prizren, Gjakova, Gjilan, Mitrovica, Ferizaj.

POPULATION AND LANGUAGE

Dynamic Population Changes

According to Kosovo Agency of Statistics, from the preliminary results of the last census made in 2011⁴, Kosovo's population was 1,733,872. Kosovo Agency of Statistics (KAS) has published a report on "Estimation of Kosovo Population 2021". According to this publication, Kosovo resident population for 2021 (31 December 2021) is estimated to be 1,773,971/resident inhabitants.

This publication includes internal population movements (from one municipality to another), and the number of internal movements is estimated to be 7,353 inhabitants.

Despite a natural growth of 14,391 people, the resident population of Kosovo was reduced by -38,606 inhabitants⁵ due to migration of population.

Its ethnic composition according to Kosovo Agency of Statistics in 2011 was 92% Albanian, while the largest minority is represented by Serbians who comprise

4 The Government of the Republic of Kosovo at the 99th meeting, held on 30 September 2022, took Decision (No. 28/99) on setting the date of the Population and Housing Census in Kosovo (REKOS). According to this Decision, REKOS will be conducted in the period from 01 September to 16 October 2023.

5 Source: Kosovo Agency of Statistics

about 5.3% of the population. Other minority groups include Bosnians, Turks, Roma, Goranis, Ashkali and Egyptians with a total of 2.7%.

Pristina, the capital city has a population of 213,162 inhabitants. The population in Kosovo has been growing steadily over since World War II. The largest increase has been through the Albanian community while the Serbian population has in overall stayed stable. Future trends of population growth in Kosovo are difficult to predict.

The state of Kosovo is characterized by a very young population structure, where the average age is 30.2 years.⁶

After 1990, the population of Kosovo faced the phenomenon of migration, which affected both the structure as well as in its growth rates. The free and uncontrolled movement of the population has affected changing the ratio of urban to rural population. According to the last census, 61% of the population lives in rural areas.

Languages

The official languages in Kosovo are Albanian and Serbian. The majority of the population speaks Albanian. The Albanian language belongs to the Indo-European language family. Serbian, Bosnian and Croatian are spoken by minorities.

A very large number of people also speak English, German and other European languages. Legislation in Kosovo is available in English, Albanian and Serbian language and can be accessed through the Official Gazette of the Republic of Kosovo. Additionally, Turkish, Bosnian and Roma languages have the status of official languages at the municipal level or will be in official use at all levels as provided by law.

GOVERNMENT AND POLITICAL SYSTEM

Form of the Government

Kosovo is a Parliamentary Republic. The official name of the country is “Republic of Kosovo” (in Albanian: Republika e Kosovës). On 8 April 2008 the Constitution of Kosovo was approved by the Assembly of Kosovo and entered into force on 15 June 2008.

The President of the Republic of Kosovo proposes to the Assembly a candidate for Prime Minister, in consultation with the political party or coalition that has won the majority in the Assembly, necessary to establish the Government, which is finally approved in the Assembly.

6 Source: Ministry of Health, Republic of Kosovo

LEGISLATIVE STRUCTURE

The Assembly of Kosovo (the Parliament), has 120 members. It is elected every four years through a general election. According to the Kosovo Constitution, the Assembly of Kosovo elects the President for a five-year term.

JUDICIAL SYSTEM

The judicial system consists of the Constitutional Court, the Basic Courts, the Courts of Appeals, the Commercial Court and the Supreme Court.

According to the Kosovo Constitution, the basic unit of local government in the Republic of Kosovo is the municipality. Currently in Kosovo there are 38 municipalities and the establishment of municipalities, municipal boundaries, competencies and method of organization and operation are regulated by law.

EU MISSION – EULEX

The European Union Rule of Law Mission in Kosovo (EULEX) is the largest civilian mission ever launched under the Common Security and Defence Policy (CSDP). EULEX's mission officially started on 16 February 2008. Its central aim is to assist Kosovo on its path to European integration in the rule of law area. EULEX continues to concentrate on the fight against corruption and works closely with local counterparts to achieve sustainability and EU best practices in Kosovo.

DEFENCE

KFOR

Security in Kosovo is guaranteed by KFOR, a military force which consists of troops contributed by 30 nations, under NATO command. KFOR entered Kosovo on 12 June 1999. It very quickly restored peace and order in Kosovo and is now working with the Kosovo Government and continuing to provide security.

Kosovo Security Force (KSF)⁷

The Kosovo Security Force (KSF) is a professional, multiethnic, lightly armed and all-volunteer Security Force that is subject to democratic, civilian control. The KSF mission is to represent and protect all the people of Kosovo. The Ministry of Defense (MOD) is responsible for exercising civilian control over the Kosovo Security Force (KSF), including management and administration.

7 Source: <https://mod.rks-gov.net>

INFORMATION SPACE:

GOVERNMENT AGREEMENTS AND TRADE REGIME

- Kosovo is member of the Central European Free Trade Area (CEFTA) and has signed Stabilization and Association Agreement (SAA) with the European Union, Free-Trade Agreements (FTA) with Turkey and United Kingdom of Great Britain and Northern Ireland.
- Stabilization and Association Agreement – SSA with European Union entered into force in April 2016.
- Generalized System of Preferences (GSP Program) with USA, Japan, Belarus, Kazakhstan, Switzerland and Norway.
- Kosovo is member of the European Common Aviation Area and member of the Athens Process on Energy for the Southeastern Europe Energy Community Treaty.
- Free Trade Agreement with EU (28 countries)
- Free Trade Agreement with Turkey.

Kosovo's Trade Regime⁸

Kosovo has a liberal trade regime, from which derive three major benefits, namely improved export possibilities, and stable relations with its neighbors.

The Customs Code is based on the EU Customs Code and is fully compliant with WCO agreed rules on customs procedures and the Harmonized Commodity Description and Coding System.

8 Source: KIESA – Kosovo Investment and Enterprise Support Agency.

VISA SYSTEM FOR FOREIGNERS TRAVELING TO KOSOVO

The Republic of Kosovo implemented a visa regime on 1 July 2013 for 87 countries. From this date onwards citizens of these countries will need to apply for a visa through the Diplomatic missions of the Republic of Kosovo in order to be allowed entry to the Republic. The 87 Countries consist of all former Soviet Union republics not EU members, African countries, Asian countries (including China and India), Caribbean countries and South American countries.

As before, any foreigner who intends to stay longer than 90 days in Kosovo will need to report to the Directorate for Foreigners at the Kosovo Police.

Foreign nationals, subject to the Law on the Status, Immunities and Privileges of Diplomatic and Consular Missions and Personnel in Republic of Kosovo and of the International Military Presence and its Personnel, as well as foreign nationals, holders of **UN Travel Documents**, are exempted from the obligation of visa possession.

Foreign citizens, who are subject to the visa regime application, but have a valid multiple entry Schengen visa will be allowed to enter the Republic of Kosovo and stay up to 15 days without applying for a Kosovo visa.

The exemption from the visa requirement applies to the citizens of the countries as shown in Table 1⁹.

TABLE 1

| | | |
|---------------------|-----------|-----------------------|
| Albania | Holy See* | Oman |
| Andorra | Honduras | Palau |
| Antigua and Barbuda | Hungary* | Panama |
| Argentina | Iceland* | Paraguay |
| Australia | Israel | Poland* |
| Austria* | Ireland* | Portugal* |
| Bahamas | Italy* | Qatar |
| Bahrain | Japan | Romania* |
| Barbados | Jordan | Saint Kitts and Nevis |

9 Source: https://www.mfa-ks.net/sherbimet_konsullore/504/shtetet-t-cilat-nuk-kane-nevoj-prviz/504

| | | |
|-------------------|-------------------------|------------------------------|
| Belgium* | Kingdom of Saudi Arabia | Saint Lucia |
| Belize | Kiribati | Saint Vincent and Grenadines |
| Botswana | Kuwait | Samoa |
| Brazil | Latvia* | San Marino* |
| Brunei Darussalam | Lesotho | Sao Tome and Principe |
| Bulgaria* | Liechtenstein* | Serbia |
| Canada | Lithuania* | Seychelles Islands |
| Chile | Luxembourg | Slovakia* |
| Columbia | North Macedonia | Slovenia* |
| Costa Rica | Malawi | Solomon Islands |
| Croatia* | Malaysia | South Africa |
| Cyprus* | Maldives | South Korea |
| Czech Republic* | Malta* | Spain* |
| Denmark* | Marshall Islands | Switzerland |
| Dominica | Mauritius | Sweden* |
| El Salvador | Micronesia | Tonga |
| Estonia* | Monaco* | Trinidad and Tobago |
| Fiji | Montenegro | Turkey |
| Finland* | Namibia | Tuvalu |
| France* | Nauru | Ukraine |
| Germany* | Netherlands* | United Kingdom and |
| Greece* | New Papua Guinea | United States |
| Grenada | New Zealand | Uruguay |
| Guatemala | Nicaragua | Vanuatu |
| Guiana | Norway* | Venezuela |

*EU or Schengen member states

In addition, the exemption from the visa requirement applies also to the following categories:

- » Citizens of the countries which are required to obtain a visa for Kosovo but hold a biometric valid residence permit issued by one of the Schengen member states or a valid multi-entry Schengen Visa are exempt from the requirement to obtain a visa to enter, transit, or stay in the territory of the Republic of Kosovo up to 15 days.
- » Citizens of: EU and Schengen Zone Member States, Holy See, Principality of Andorra, Principality of Monaco, Principality of San Marino, Republic of Albania, Montenegro, and Republic of Serbia are allowed to enter, transit, and stay in Kosovo for up to 90 days for a six-month period with a valid biometric identification card.
- » Holders of Laissez-Passer, regardless of their nationality, issued by United Nations Organizations, NATO, OSCE, Council of Europe and European Union, are also exempted from the visa requirement¹⁰.

As indicated in Table 2¹¹, there are twelve land border crossings in Kosovo:

TABLE 2: LAND BORDER CROSSINGS INTO KOSOVO

| |
|---|
| Hani i Elezit (<i>Municipality of Hani i Elezit</i>) to North Macedonia |
| Gllobiçica/ Glloboqiçë (<i>Municipality of Prizren</i>) to North Macedonia |
| Merdare (<i>Municipality of Podujevo</i>) to Serbia |
| Vërmica (<i>Municipality of Prizren</i>) to Albania |
| Dheu i Bardhë (<i>Municipality of Gjilan</i>) to Serbia |
| Kulla (<i>Municipality of Peja</i>) to Montenegro |
| Stançiq (<i>Municipality of Gjilan</i>) to North Macedonia |
| Qafë e Prushit (<i>Municipality of Gjakova</i>) to Albania |
| Qafë e Morinës (<i>Municipality of Gjakova</i>) to Albania |
| Bërnjak (<i>Municipality of Zubin Potok</i>) to Serbia |
| Jarinje (<i>Municipality of Leposaviq</i>) to Serbia |
| Muçibabë (<i>Municipality of Gjilan</i>) to Serbia |

10 Source: <http://www.mfa-ks.net/?page=2,158>

11 Source: <https://mpb.rks-gov.net/>

RESIDENCE OF FOREIGNERS

Foreigners in the Republic of Kosovo may work on the basis of a permit issued for residence and employment or a certificate for employment notification.

The residence of foreigners in Kosovo is governed by the provisions of the Law no. 04/L-219 “On Foreigners”, as amended (the Law on Foreigners) and the Administrative Instruction nr. 09/2019 on the Procedure and Criteria for Issuing Residence Permits for Foreigners (the Administrative Instruction). Under the Law on Foreigners, the term foreigner refers to any person who is not a citizen of the Republic of Kosovo.

The Department for Citizenship, Asylum and Migration (the “DCAM”), of the Ministry of Internal Affairs is empowered by the Law on Foreigners to evaluate all applications and issue residence permits to foreigners.

The Law on Foreigners foresees that an annual employment quota for foreigners should be approved upon decision of the Government of the Republic of Kosovo. The decision will define the annual quota of employment of foreigners for new permits and extension of existing ones, at the latest by 31st of October for the following year. The fees for obtaining the resident permit are defined with Decision no. 506/2013, dated 02.12.2013 “On Determining the Tariffs” issued by the Minister of the Ministry of Internal Affairs. Pursuant to the said decision, in case the residency permit will be issued for employment purposes, the official fee of EUR 50 will be applied for temporary residence permit and EUR 100 for permanent residence permit.

RESIDENCE PERMIT

There are three types of residence in the Republic of Kosovo: (a) short-term residence; (b) temporary residence; and (c) permanent residence.

Short-term residence shall mean residence of a foreigner up to three months within the period of six months without visa or with visa, if required. The period of residence shall be calculated from the date of first entry in the Republic of Kosovo.

Temporary residence shall be granted to a foreigner who resides or his/her intention is to reside in the territory of the Republic of Kosovo, for the purpose of employment, employment of a posted worker, family reunion, education, scientific research, humanitarian grounds, including refugees, persons under subsidiary protection and victim of human trafficking or victims of migration, smuggling and foreigners who have willingly expressed cooperation with competent authorities. Notwithstanding the above, a temporary residence permit may be issued to a foreigner for other purposes as well.

The permanent residence permit may be granted to a foreigner who at the time of submission of the application has a temporary residence permit continuously for a period of five years in the Republic of Kosovo and meets the other criteria defined in the Law on Foreigners.

Pursuant to the Administrative Instruction, for obtaining temporary residence permit for the purpose of employment in Kosovo within the annual employment quota, the foreigner should provide the following documents to DCAM:

1. Valid travel document/passport. The passport should be valid for at least 3 months after the expiry of the residency permit term;
2. Employment contract pursuant to the labor legislation in the Republic of Kosovo, exceptionally the employment contract shall not be requested to foreigners who are owners of businesses;
3. Evidences proving sufficient living means;
4. Criminal Record Certificate issued by the competent authorities in the country of origin;
5. Business Registration Certificate together with "Information about Business" excerpt;
6. Proof on education, qualifications, and trainings of the foreigners. (i.e., foreigners who are business owners are excluded from this condition);
7. Health Insurance Policy with validity of at least one-year duration from the date of application;
8. Evidence of vaccination in cases when the foreigner comes from a state where epidemic situation is declared.

In addition to the above the applicant should not have been subject to an entry ban in Kosovo.

This list of documents varies depending on the purpose of work in Kosovo (i.e., work with an NGO and/or volunteer job within the scheme of volunteer services).

Notwithstanding the above, the work permit may be issued outside the annual quota to the following categories of foreign citizens:

1. Daily immigrants based on reciprocity conditions;
2. Key personnel, service providers, employees and their family members, whose status is regulated by the Stabilization and Association Agreement and the interaction between the European Union and its states and the Republic of Kosovo;
3. Foreigners working in private companies that are subcontractors of diplomatic missions that operate in Kosovo;
4. Foreigners transferred within internal transfer of staff within companies, and other required staff determined in advance under the contract;

5. Foreigners self-employed in their own companies, having a greater share than 51% or having turnover of its own;
6. Foreign teachers teaching in education institutions in one of the languages of ethnic minorities;
7. Professional athletes or sports activists working in Kosovo;
8. Foreign artists working in cultural institutions of Kosovo;
9. Foreigners having established employment relationships in companies, which are registered as foreign companies in Kosovo and at least in three other countries;
10. Foreigners working under Youth Mobilization program, which Kosovo carries out in cooperation with other states;
11. Foreign scientific researchers, foreigners employed in scientific positions, scientific-educational, or other work research positions with the legal entity that conducts scientific research;
12. Foreign language professors, lectures and other teachers, teaching at higher education institutions or foreign language schools in Kosovo;
13. Foreigners working on the bases of international contracts, except the categories of foreigners referred in point (2) above;
14. Foreigners performing major tasks for trading companies, associations, and foreign representations.

The list of documents required to be submitted with DCAM varies depending on the category of foreign citizens as listed above.

For obtaining temporary residence permit for purposes of employment outside the annual employment quota, the same documents are required to be filed as for foreigners applying for residence permit within the employment quota.

In addition, the following documents may also be required:

1. Business Registration Certificate along with 'Information about Business' excerpt;
2. Proof on education, qualifications, and trainings of the foreigner;
3. Proof that the trading company, association or foreign representation the foreigner has employed at least three citizens of the Republic of Kosovo in different jobs;
4. Proof that payment is the same with the amount of minimum wage in the Republic of Kosovo determined in the previous year.

Whilst for obtaining the permanent residence permit, the foreigner in addition to possessing a temporary residence permit for five consecutive years in the Republic of Kosovo should also: (i) possess a foreign valid travel document; (ii) possess sufficient means for living; (iii) possess a medical insurance; (iv) have basic knowledge of one of the official languages of the Republic of Kosovo in writing and reading, knowledge on the culture and social establishment; and (v) not constitute a threat to public order, state security and public health.

The Law on Foreigners provides additional circumstances for granting permanent residence permit to categories of foreigners.

CERTIFICATE ON EMPLOYMENT NOTIFICATION

In addition, the law on Foreigners provides for the possibility of obtaining a Certificate for Employment Notification for foreigners who intend to work in the Republic of Kosovo for a period up to thirty, sixty or ninety days within one year.

The law defines categories of foreigners and the types of works that can be performed on the basis of the certificate for employment notification for the respective periods. The certificate for employment notification is issued by the Department of Labor and Employment within the Ministry of Labor and Social Welfare.

The requirements/documents foreseen by the Administrative Instruction for certificate on employment notification are as following:

1. Employment contract, respectively, written certificate for employment contract or the adequate proof of work;
2. Proof of education, qualification, and trainings of the foreigner;
3. Proof on registration of company, association, branch, business, agency and organization in the Republic of Kosovo;
4. Administrative fee.

The provisions of the Law will not apply to foreigners as long as their status is regulated under the Law on status, immunity and privileges of diplomatic and consular missions, their staff, international military presence and their staff in Kosovo.

ACCOMMODATION

Whether for business or pleasure, Pristina offers excellent accommodation. For foreigners that have to stay longer in Kosovo, a rent of a house or an apartment may be more appropriate. The monthly rental cost for a 100 sq. meter apartment situated in the heart of Pristina is approximately EUR 500. There are many real estate agencies operating in Pristina that can assist foreigners in finding accommodation. There are many pleasant restaurants that offer various combination of traditional Kosovo cuisine, Italian and Turkish dishes.

WORKING HOURS

The public administration works five days a week, from Monday until Friday. The usual working hours are 08.00 AM – 16.00 PM.

TRANSPORTATION

Road Network: The road network consists of 630 km of main roads. With the construction of motorway with Albania, Kosovo is an important bridge between West Europe and Adriatic Sea. A highway connecting Kosovo with Serbia is currently under construction.

Railway: Combined length of 330 km. It covers the entire territory, connecting both the south with the north and east with west¹².

Air Transportation: As Pristina's International Airport has a capacity of one million passengers per year, it is considered the busiest airport on the region. The "Adem Jashari" International Airport is a 20 minutes' drive from the center of Pristina. It connects Kosovo via direct flights to London, Vienna, Istanbul, Budapest, Zurich, Tirana, Frankfurt, Düsseldorf, Stuttgart, Hanover, Copenhagen, Stockholm and Gothenburg etc. A one-way taxi journey from Pristina International Airport to the Pristina city center costs EUR 15.

TELECOMMUNICATION

Kosovo has removed all foreign telephone codes and currently uses only the Kosovo telephone code +383.

Five main companies – IPKO; Kosovo Telecom (KT); ArtMotion; Kujtesa; and a branch of Serbia's telecom company, MTS – provide internet service for about 83 percent of Kosovo's market, while KT, IPKO, and MTS also provide mobile internet (3G and 4G).

The Regulatory Authority of Electronic and Postal Communications (RAEPC) estimated the total number of fixed and mobile internet users in Kosovo in 2021 was 383,868 and 1,777,859, respectively¹³. These numbers equate to 24.52 and 97.92 percent penetration rates, as some users use both mobile and fixed internet connections or have multiple accounts.

RAEPC data indicates mobile telephone penetration in Kosovo covers 100 percent of inhabited zones and 94 percent of Kosovo's territory. Kosovo's telecommunications sector is one of the least expensive in the region and has similar quality voice services in comparison with other providers in the region¹⁴.

Kosovars are among the first in Europe in terms of internet use. According to the data of the Kosovo Agency of Statistics, in the year 2021, 96.1% of households in Kosovo had access to the Internet from home, from any device.

12 Source: <https://kosovo-mining.org/kosovo/infrastructure/?lang=en>

13 Source: <https://www.trade.gov/country-commercial-guides/kosovo-telecommunications>

14 Source: <https://www.trade.gov/country-commercial-guides/kosovo-telecommunications>

ECONOMIC SITUATION OVERVIEW

BASIC ECONOMIC INDICATORS

The global economy has faced one of the biggest crises in recent decades, driven by the spread of the Covid-19 pandemic and the measures taken to limit its spread. The countries of the Western Balkans were also affected by this pandemic.

However, Kosovo's economy experienced a strong recovery in 2021, supported by a rebound in domestic demand and record export growth. Inflation also intensified, driven by increases in import prices. Growth decelerated to 3.9 percent in 2022.

According to the Central Bank of Kosovo (CBK)¹⁵, Kosovo's economy marked a significant 10.5% growth during 2021, following the decline that characterized 2020. The significant growth of economic activity was attributed to improvement of the health crisis and the supportive financial and fiscal policies. The improvement of the health crisis allowed for gradual easing of pandemic measures, which resulted in a high diaspora influx, which in turn resulted to be an important catalyst for economic recovery. The components that contributed to a significant increase of economic activity during 2021 were: increase of consumption by 7.8 percent, increase of investments by 10.2 percent and a slower growth of net export deficit (1.9 percent).

The increase in overall demand resulting from the economic recovery and the dynamics in basic goods prices in international markets were reflected in inflationary pressures in Kosovo. The average annual inflation rate in 2021, expressed

15 Source: Financial Stability Report – BQK <https://bqk-kos.org>

through the Consumer Price Index (CPI), was 3.4 percent, with transport costs and food prices contributing the most. The war in Ukraine accelerated price increases in 2022, whereby CBK projections suggested an average inflation rate of 10.4 percent. Inflationary pressures in 2021 and in 2022 are mainly attributed to supply constraints and direct consequences that the war in Ukraine has produced in the context of further increases in import prices.

In light of the licensing activity of financial institutions, in 2021 CBK Annual Report the following number of financial institutions are reported: 11 (eleven) Commercial Banks, 12 (twelve) Insurance Companies, 2 (two) Pensions Funds, 53 (fifty-three) Financial Auxiliaries, 19 (nineteen) Insurance Intermediaries and 30 (thirty) Microfinance Institutions and Non-Banking Financial Institutions.

Implications to the Gross Domestic Product (GDP)

According to the Kosovo Agency of Statistics (KAS), Kosovo's economy experienced a strong recovery in 2021, but global inflationary pressures interrupted its active recovery path. Real GDP growth was expected to decelerate to 3.1 percent in 2022, following a slowdown in investment and private consumption.

After reaching a record of 10.5 percent GDP growth in 2021, it moderated to 3.4 percent in the first-half of 2022, driven by domestic demand and exports. On the production side, the service sector driven by remittances, credit growth, and higher public transfers was the main contributor to economic growth. Inflation soared, reaching 13 percent in August 2022, triggered by an increase in import prices. Food and transport price increases surpassed 20 percent by August 2022, disproportionately impacting the most vulnerable people.

TABLE 3: REAL GDP GROWTH RATE, IN PERCENT¹⁶

| Real GDP growth (Annual percent change) | Projections | | | | | |
|--|-------------|------------|------------|------------|------------|------------|
| | 2020 | 2021 | 2022 | 2023 | 2026 | 2027 |
| Emerging and Developing Europe | -2.0 | 6.0 | 3.6 | 0.6 | 2.6 | 2.2 |
| Albania | -3.3 | 5.3 | 4.5 | 2.5 | 3.5 | 3.4 |
| Croatia | -8.0 | 6.3 | 5.8 | 3.5 | 3.1 | 2.5 |
| Kosovo | -5.3 | 6.0 | 4.5 | 3.5 | 3.5 | 3.5 |
| North Macedonia | -4.5 | 4.0 | 4.2 | 3.0 | 3.6 | 3.8 |
| Montenegro | -15.2 | 7.0 | 5.6 | 2.5 | 2.9 | 3.0 |
| Serbia | -1.0 | 6.5 | 4.5 | 2.7 | 4.0 | 4.0 |

¹⁶ Source: International Monetary Fund, World Economic Outlook - Recovery During a Pandemic: Gross Domestic Product (GDP), October 2022.

FISCAL SECTOR

According to the Annual Report of CBK, budget revenues in 2021 reached a net value of EUR 2.20 billion, which represents an annual increase of 27.1 percent, while budget expenditures reached the value of EUR 2.27 billion, which represents an annual increase of 2.3 percent. Consequently, the primary budget deficit was significantly lower compared to the previous year declining to 0.9 percent of GDP, from 7.6 percent in 2020.

Public debt in 2021 reached EUR 1.7 billion, which is 13.1 percent higher compared to 2020. As a percentage of GDP, public debt reached 23.3 percent, compared to 22.4 percent in 2020.

Within tax revenues, all categories have increased. The highest increase was recorded in indirect tax revenues, which reached the value of EUR 1.66 billion or 30.8 percent more compared to 2020. Direct tax revenues increased by 28.0 percent and reached the value of EUR 342.2 million. Nontax revenues increased by 12.6 percent and reached the value of EUR 252.6 million.

The increase in budget expenditures of 2.3 percent was lower compared to 2020 when there was an increase of 6.7 percent. The category that marked an accelerated increase in expenditures was that of capital expenditures, which increased by 10.8 percent, while current expenditures increased by 0.6 percent. In terms of current expenditures, subsidies and transfers decreased by 2.9 percent and reached the value of EUR 842.7 million. Government expenditures on wages increased by 1.0 percent and reached the value of EUR 667.3 million, while government expenditures on goods and services (including municipal expenditures) increased by 9.6 percent and reached the value of EUR 327.8 million.

TABLE 4¹⁷

| Description | 2019 | 2020 | 2021 |
|---------------------------|------|------|------|
| Commercial banks | 10 | 11 | 11 |
| Insurance Companies | 13 | 13 | 12 |
| Pension funds | 2 | 2 | 2 |
| Microfinance institutions | 29 | 29 | 30 |

Banking Industry

The banking sector continues to have the main contribution in expanding the activity of the financial system in the country.

17 Source: CBK-Annual Report 2021

Banking sector assets in 2021 marked an annual double-digit growth of 11.3 percent, reaching a value of EUR 5.96 billion. Growth, despite being pronounced, was slower compared to the 12.5 percent growth in 2020. Asset growth was supported by the marked increase in the sector's funding sources, namely deposits. Within assets, lending and investments in securities were the only items that were characterized by an accelerated annual growth rate. Lending, as the main activity of the sector, doubled its annual growth, as well as marked the highest growth in ten recent years, supported mainly by household deposits.

Loans

In 2021, the loan portfolio of the banking sector expanded by 15.5 percent reaching the value of EUR 3.75 billion. The favorable liquidity position, as well as the substantial economic recovery supported by remittances and numerous diaspora visits after the improvement of the pandemic situation contributed to the significant increase in lending. According to the Bank Lending Survey, lending activity dynamics in 2021 were positively affected by both credit supply and demand, but credit demand was the main driver. Except for the third quarter where there was a low increase in demand, influenced by the tightening of restrictive measures to prevent the spread of the pandemic, during the rest of the year there was a significant increase.

Credit supply from banks was characterized by easing throughout the year, however at a low level. Market dynamics and perspective in the country influenced the perception of declining risk, which together with the support of KCGF in lending to SMEs and increased competitive pressures from banks were additional key factors that dictated changes in credit supply.

Further, the CBK Report states that loans to enterprises marked an annual increase of 13.1 percent. Lending to almost all economic sectors increased, with the exception of the agricultural sector, which recorded an annual decline of 6.8 percent. The financial services, construction and manufacturing sectors grew by 29.9 percent, 27.5 percent and 9.6 percent, respectively.

New loans to enterprises marked an annual increase of 10.4 percent, where all subcategories of new loans were characterized by growth, except for the industry category. The structure of loans to enterprises by economic activities continues to be dominated by loans to the trade sector, followed by those to manufacturing and construction. Lending to small and medium enterprises in 2021 was also supported by the Kosovo Credit Guarantee Fund, the use of which has marked an accelerated growth trend. Among other things, the accelerated increase of guarantees was supported by the signing of a financial agreement for the increase of guarantee capital with the German Development Bank in the amount of 6 million euros.

Liabilities

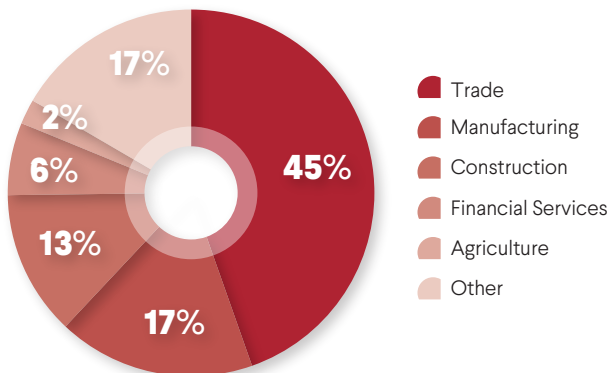
The structure of liabilities of the banking sector is dominated by deposits, which in December 2021 accounted for 82.2 percent of total liabilities and own funds.

Own funds of the banking sector were characterized by a slower annual growth of 5.4 percent, compared to annual growth of 17.3 percent in the previous year. This occurred as a result of eased measures for non-distribution of the dividends from the previous year profit, which was in force until October 2021. Consequently, the retained earnings, as a key contributor to the performance of the capital position, marked a decrease of about 18.2 million euros in December 2021, which contributed to the slowdown in the growth rate of the sector's own resources.

Deposits

According to CBK's data, deposits in the banking sector of Kosovo marked an annual increase of 12.4 percent in December 2021. Household deposits, the category that dominates the structure of total deposits in the banking sector, accelerated growth to 14.6 percent in December 2021.

GRAPH NO. 1: **LOANS BY ECONOMIC SECTORS**



Source: CBK (2021)

Interest rates

The average interest rate on loans to enterprises decreased to 5.7 percent in December 2021. Within this category, the interest rate on investment loans marked a decrease, while the interest rate on non-investment loans marked a marginal increase. Further, the average interest rate on deposits was characterized by a decline. The average interest rate on enterprise deposits increased by 0.5 percent-

age points to 2.0 percent, while the average interest rate on household deposits marked an increase of 0.6 percentage points to 0.9 percent

Source: CBK, Annual Report 2021

OTHER FINANCIAL INSTITUTIONS

Insurance Companies

The Annual Report of CBK states that, the level of intermediation and density of the insurance sector has remained at a similar level to last year, with marginal annual increase. Expressed through gross written premiums in relation to GDP, the sector intermediation continues to remain at a relatively low level compared to the average of European Union countries, at 1.52 percent. The level of density, measured through written premiums per capital, remains similarly low, which in 2021 marked the value of EUR 65.3.

“Non-life” insurance, which also has the highest share in total assets of the sector (91.4 percent), marked an annual increase of 9.2 percent and represented 91.3 percent of total assets of the sector in 2021.

The value of premiums written by insurers in 2021 reached EUR 117.4 million, marking an annual increase of 18.2 percent. The structure of written premiums is dominated by non-life insurance premiums which represents 95.9 percent of total written premiums. The value of non-life insurance written premiums in 2021 reached EUR 112.6 million, representing an annual increase of 17.6 percent. The number of policies sold also increased, to 1.15 million compared to 824.1 thousand a year ago. The sharp increase in the level of written premiums and policies sold compared to last year reflects the increased economic activity and the easing of restrictive measures to prevent COVID-19. “Non-life” insurance continues to be dominated by compulsory insurance with a share of 62.4 percent in the total gross written “non-life” premiums, while the rest includes voluntary insurance. The value of life insurance written premiums reached EUR 4.9 million, which is a 35.7 percent higher value compared to 2020.

Pension Funds and Other Financial Intermediaries

The pension sector in 2021 was characterized by a significant increase in activity compared to the previous year.

The value of assets reached EUR 2.36 billion by the end of 2021, which corresponds to an annual increase of 18.2 percent. This increase is attributed to the high return on investment, as well as the increase in collection from contributors.

Gross return on investments of the Kosovo pension sector in 2021 reached a record value since the beginning of operation of EUR 228.4 million, and a significant increase in unit prices compared to last year. KPST realized gross return on invest-

ments in the amount of EUR 227.3 million, with a unit price of EUR 1.72. During 2021, SKPF realized gross return on investments in the amount of EUR 1.1 million, while the unit price increased to EUR 202.86, compared to EUR 184.38 at the end of December 2020.

TRADE

Located in the heart of Balkans, Kosovo offers easy access to EU via air, road, railway and three sea-ports:

- » Thessaloniki, Greece: 329.0 km
- » Durres, Albania: 262 km
- » Tivat (Bar), Montenegro: 299 km

Net exports of goods and services in 2022 had a negative impact in GDP growth. This projection is mainly based on forecasts of growth in imports of goods and services of 14.5 percent, while exports of goods and services are expected to increase but at a lower rate of 12.8 percent.

The export of goods in July 2022 was worth EUR 76.2 million, while the import was EUR 502.4 million, which is an increase by 22.5% for export and 16.8% for import, compared to the same period of 2021.

According to the Agency of Statistics, exports to EU countries reached 26.4 million Euros, or about 34.6% of total exports, with an increase by 29.8%. The main partners in export of goods to the EU are: Germany (10.3%), Italy (4.7%), Denmark (4.7%), etc.

TABLE 5: EXPORTS, IMPORTS AND TRADE BALANCE, IN THOUSANDS OF EUR

| Period | Exports (FOB) | Imports (CIF) | Trade Balance |
|---------|---------------|---------------|---------------|
| 12-2021 | 755,276 | 4,684,198 | -3,928,472 |
| 07-2022 | 526,045 | 3,148,681 | -2,622,636 |

BUSINESS SECTOR OPPORTUNITIES FOR INVESTMENTS

OPPORTUNITIES AND INCENTIVES FOR FOREIGN INVESTORS

Kosovo's economic growth in the past decade has largely been inclusive. Its growth model relies heavily on remittances to fuel domestic consumption, but has recently shifted to more investment- and export-driven growth.

The World Bank, in the last published Doing Business Report 2020, ranked Kosovo in 57th place. The report recognized Kosovo for significant reforms in specific areas.

The report noted that reforms in Kosovo resulted successfully in strengthened minority investor protections by requiring greater disclosure of transactions with interested parties, extending access to corporate information before trial, clarifying ownership and control structures, and requiring greater corporate transparency. Kosovo also improved in construction permitting due to the elimination of the requirement for contractors to notify the municipal authority for the start of construction. Kosovo also showed improvements in the reliability of power supply by investing in grid infrastructure and by implementing a Supervisory Control and Data Acquisition (SCADA) automatic energy management system for outage monitoring and the restoration of service. Kosovo saw additional improvements in contract enforcement from the introduction of a consolidated law on voluntary mediation. In addition to these areas, Kosovo also improved in Trading Across Borders due to the significant reductions in costs to export.

According to the World Bank, Kosovo is among the top 20 most-improved economies in the world.

ENERGY AND MINING

The territory of the Republic of Kosovo is characterized by a complex geological formation. This is proven by numerous older and contemporary geological formations.

Based on research conducted to date and the status of energy mineral resource reserves, the Republic of Kosovo possesses the world's fifth-largest proven reserves of lignite and small quantities of radioactive minerals.

Most significant coal basins are:

- » Kosovo Basin (located in the central part of the Republic of Kosovo);
- » Dukagjini Basin (located almost on the center of Dukagjini Plain); and
- » Drenica Basin (located between the Kosovo Basin and the Dukagjini Basin in the west).

Kosovo's varied geology includes a variety of exploitable metal and mineral deposits, including gold, chrome, nickel, aluminum, copper, iron metals, and lead-zinc. Kosovo's coal mines are the fuel source for over 90 percent of Kosovo's power. There is some potential to also exploit gold, silver, and marble. The mining sector has traditionally been an important contributor to Kosovo's economy, although the industry declined during the 1990s due to a lack of investment in equipment, facilities, and failure to develop new sites. Significant foreign investment potential exists in this sector.¹⁸

FAVORABLE AGRICULTURE POTENTIALS

Traditional agriculture and agribusiness

Kosovo's climate is influenced by its proximity to the Adriatic Sea, as well as the continental European landmass to the north. The overall climate is of a modified continental type. The combination of continental and Sub-Mediterranean climate, characterized by long, warm summers and short, not too severe winters provides fertile soil and generally excellent conditions for production of a range of food products.

With some 60 per cent of the population living in rural areas and mostly working in agriculture, Kosovo has a long agricultural tradition. Agriculture is the main source of income for the majority of the population. The agribusiness and food processing sector are traditionally one of the strongest sector in Kosovo's economy. Historically, there has been a low reliance on artificial inputs at source, embellishing the integrity of the produce.

Out of a total surface area of 1.1 million hectares approximately 588,000 or slightly more than half is agricultural land with fertile, nutrient-rich soils. About 90% of agri-

18 Source: <https://www.trade.gov/country-commercial-guides/kosovo-mining-and-minerals>

cultural land is dedicated to livestock activities such as pastures, meadows, forage crops and some fodder crops for animals. The remaining area is used for grain for human consumption, vineyards, potatoes, fruit and vegetables.

Good Investment Opportunities

The agribusiness sector in Kosovo has traditionally been dominated by socially-owned enterprises, which used to obtain a substantial part of their raw materials from thousands of private farmers. The former socially-owned companies in this field are no longer active. New private companies have started operations in recent years and their production is showing significant and continuous increases.

However, the majority of local processors are still relatively small and only able to provide a minor part of the demand for processed foodstuffs. As a consequence, most of the local demand is catered for by imports, giving rise to substantial import substitution investment opportunities.

Foreign investment in agribusiness in some countries is targeted at the processing and distribution parts of the industry value chain in order to avoid the risks associated with primary production. However, the specific conditions of the sector in Kosovo provide opportunities for investors for integrated investment across the entire value chain.

Kosovo provides opportunities for investment not only in primary production but also in modern post-harvest handling facilities, cold storage distribution centers and logistics centers. Modern and efficient processing facilities could be brought closer to the inputs thus providing economies of scale and higher value-added products that could compete effectively with the products that Kosovo is currently importing, especially in dairy products, fruit and vegetables, meat products, wine production and other beverages.

In comparison to other countries, Kosovo additionally offers a very flexible and cost-effective labor force and, due to trade liberalization with CEFTA region, free access to the regional market consisting of 30 million consumers. In addition, Kosovo enjoys a preferential market access to the EU and US markets, with only few products exempted from this preferential treatment.

FOREIGN INVESTMENTS

The CBK reports that during 2021, Foreign Direct Investment (FDI) in Kosovo amounted to EUR 415.3 million, representing an increase of 20.1 percent.

Within the FDI structure, capital and fund of investment in shares increased by 19.6 percent, whereas investments in debt instruments increased by 27.4 percent. Increase in FDI was recorded mainly in the real estate (91.3 percent increase), information and communication, construction sector, etc. On the other hand, the electricity supply and mining sectors recorded the highest decline in investments.¹⁹

19 Source: CBK 2021

LOCATION ADVANTAGE

TABLE 6: DISTANCE TO THE MAIN DESTINATION OF KOSOVO THROUGH ROADS TRANSPORT

| REGIONAL CENTRE | TRAVELING DISTANCE FROM PRISTINA (km) |
|--------------------------|--|
| Skopje | 86 |
| Thessalonica (port city) | 329 |
| Tirana | 256 |
| Belgrade | 355 |
| Durres (port city) | 262 |
| Sarajevo | 390 |
| Bar (port city) | 531 |
| Zagreb | 741 |
| Budapest | 747 |
| Sofia | 279 |

BUSINESS LAW, ACCOUNTING AND AUDIT REQUIREMENTS

TYPES OF BUSINESS ENTITIES

According to Law No. 06/L-016 “On Business Organizations” published in the Official Gazette on 24.05.2018, the business entities that may be registered with the Kosovo Business Registration Agency (the “Registry”) are as following:

- » Individual Business – Biznes Individual
- » General Partnership – Ortakeri e Pergjithshme
- » Limited Partnership – Shoqeri Komandite
- » Limited Liability Company – Shoqeri me pergjegjesi te kufizuar
- » Joint Stock Company – Shoqeri aksionare

Apart from the above forms of establishment, foreign business organizations may also, upon registration with the Registry, conduct business in Kosovo through a branch office, or establish its representative office in Kosovo. The representative office may not engage in business activities in Kosovo and may only be registered for the purpose of conducting market research, engagement in marketing and promotional activities, and representation of the foreign business organization.

The branch office and the representative office are not separate legal entities, consequently, rights and obligations pertaining to the branch office or representative office shall be deemed to pertain to the parent company.

To establish a branch in Kosovo, a foreign business organization through its duly authorized persons, should sign and submit a standard application form, a decision to establish a foreign business organization containing information and details about the organization, capital structure and scope of activity of the parent com-

pany and/or of the branch, the registration certificate of the parent company in the country of origin and the charter of the parent company.

In case the foreign company seeks to conduct business in Kosovo through a wholly owned subsidiary (instead of a branch) a new company incorporated under the provision of the Kosovo legislation should be established.

The establishment of a representative office requires the submission to the Registry of the proof of registration of the foreign business organization in its place of origin and the decision of the foreign business organization to establish a Representative Office in Kosovo, containing information such as the official name and registration number of the foreign business organization in the country of origin, address and business activities in Kosovo, name and addresses of managers or directors, and authorized representatives and whether they represent the representative office jointly or severally, etc.

Below are the types of organization of business available under current Kosovo company legislation.

Individual Business

A natural person, who is not an agent or an employee of another business organization, is engaged in commerce. A natural person acting as a personal business enterprise whether registered or not, shall have unlimited personal liability and will be held liable for all debts incurred in the course of his acting as such to the full extent of his sizeable assets. A personal business enterprise for the purpose of conducting an economic activity may choose to register or not with the Registry. To register a personal business enterprise the owner shall sign and submit to the Registry a standard form containing information and details about organization and purpose of such business. If the registered agent is not the owner, the latter should attach the written consent of the registered agent to serve in such capacity.

General Partnership

A business organization that exists as a result of an association of two or more persons and/or companies for the purpose of engaging in commerce. The persons who from such partnership are considered as general partners. Partners are jointly and severally liable for the debts and other obligations incurred by the general partnership to full extent of their assets. A general partnership may come to existence either upon registration or upon conducting the activity in Kosovo without completion of such registration or upon conducting the activity in Kosovo without completion of such registration with the Registry.

To register a general partnership, a general partner or an authorized person shall sign and submit to the Registry a standard application form and the "general partnership agreement" containing information and details about the organization and purpose of the partnership and must attach to the agreement, the written consent of the authorized representative to serve in such capacity.

Limited Partnership

Consists of at least one general/unlimited partner, and at least one limited partner. The general/unlimited partner(s) is (are) liable without limitation for the debts of the limited partnership. The limited partner(s) is (are) liable only to the extent of its (their) contribution(s) to the limited partnership.

A limited partnership shall come to existence only upon registration with the Registry. To register a limited partnership, a general partner or an authorized person shall sign and submit to the Registry a standard application form and a "limited partnership agreement" containing information and details about the organization and purpose of the partnership, copy of the company's regulation, and a written consent of the authorized representative to serve in such capacity.

Limited Liability Companies

Limited liability company is a form of company where the liability of the shareholders for the company debts is limited to the amount of their contribution in the share capital of the company. There is no statutory minimum share capital required. A limited liability company comes to existence upon registration to the Registry.

To register a limited liability company, a founder shall sign and submit to the Registry a standard application form, the charter of the company, the act of establishment/memorandum of incorporation and the written consent of the authorized representative to serve in such capacity.

The limited liability company is governed by the shareholders assembly and by the director or managing directors. The limited liability company can create and hold a board of directors if this is regulated through the company agreement and the charter.

Joint Stock Companies

A Joint-Stock Company may have any number of shareholders holding common and preferred shares. It may conduct a public offering of its shares pursuant to such conditions as the law may require. The minimum capital required to establish a joint stock company is EUR 10,000.

A Joint Stock Company comes to existence upon registration to the Registry. To establish and register a Joint Stock Company the founder shall sign and submit to the Registry a standard application form, the charter, the agreement or regulation of the company and a written consent of the authorized representative to serve in such capacity.

The Joint Stock Companies are governed by the general assembly of shareholders, the board of directors and the officers.

ACCOUNTING REGULATIONS

The Parliament of Kosovo has approved the Law No. 06/L-032, dated 30.03.2018 “On Accounting, Financial Reporting and Audit” (the “Accounting Law”) which is in force from 1 January 2019.

The Accounting Law regulates the accounting and financial reporting system of business organizations in Kosovo, audit professional accountants, licensing of local and foreign auditors and audit firms, professional accounting organizations as well as the powers and responsibilities of Kosovo Financial Reporting Council/ (“KCFR”).

The law, harmonizes Kosovo legislation with the Directives of the European Union (EU) on statutory audits of annual accounts and consolidated accounts and on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

As per the Accounting Law, companies are classified into four groups:

- 1.** Large enterprises are those enterprises which at their balance sheet dates exceed at least two of the following three criteria:
 - i.** The net annual turnover of EUR forty (40) million;
 - ii.** Statement of financial position of EUR twenty (20) million;
 - iii.** The average number of employees during the financial year two hundred and fifty (250).

- 2.** Medium enterprises are enterprises that are neither micro-enterprises nor small enterprises, but shall not exceed two out of three of the following criteria:
 - i.** The net annual turnover of EUR forty (40) million;
 - ii.** Statement of financial position of EUR twenty (20) million;
 - iii.** The average number of employees during the financial year two hundred and fifty (250).

- 3.** Small enterprises are enterprises which are not microenterprises but shall not exceed more than two (2) of the following criteria:
 - i.** The net annual turnover of EUR eight (8) million;
 - ii.** Statement of financial position of EUR four (4) million;
 - iii.** The average number of employees during the financial year fifty (50).

- 4.** Micro enterprises are enterprises that do not exceed the limits of at least two of the following criteria:
 - i.** The net annual turnover seven hundred thousand (700,000) euro;
 - ii.** Statement of financial position of EUR three hundred and fifty (350);
 - iii.** The average number of employees during the financial year ten (10).

Despite the above-mentioned categories for business enterprises, the Law also specifies the criteria for classification of groups of business enterprises in small groups, medium-sized groups and large groups which are the same as the as per the individual business enterprises and are based on the consolidated indicators.

Large enterprises / groups entities shall prepare general purpose financial statements in accordance with the International Financial Reporting Standards (IFRS) issued from the International Accounting and Assurance Standard Board ("IAASB") and approved by KCFR. Attached to the financial statements shall also be submitted the following documents: (i) Statement of Compliance; (ii) Management report; and (iii) Corporate Governance Statement which is to be a separate part of the Management Report.

Medium and small enterprises / groups have to prepare their financial statements in accordance with the IFRS for SME. Attached to the financial statements, enterprises exceeding the net annual turnover of EUR 4 million must attach (i) a Statement of Compliance and (ii) audit opinion. Financial reporting for micro enterprises shall be regulated by a special sub legal administrative instruction to be issued by KCFR.

Financial statements of enterprises and groups which are classified as small, medium-sized and large in accordance with this Law must be signed by the Executive or General Director and by the Finance Director or Chief Financial Officer and/or the Certified Accountant.

In accordance with the law, public interest entities within their corporate governance structure shall establish a statutory auditing committee with independent membership of non-executive directors, where one of the members of that committee having a working experience in accounting and finance. Additionally, such entities should have an internal auditor.

All enterprises, irrespective from their size are obligated to maintain the accounting books in accordance with the following time limits:

- » Journal, general ledger and supporting books shall be stored at least 10 years;
- » Payrolls are stored indefinitely;
- » Accounting documents on the basis of which the records are performed should be stored at least five years;
- » Sales books or ancillary form and related documents, documents related to the payment activity are stored at least three (3) years.

Accounting records should be maintained in the official languages of the Republic of Kosovo and in EUR currency. Large and medium enterprises may keep the accounting records in English language, to the extent that the financial statements are

translated into the official languages of the Republic of Kosovo.

Business entities should verify, at least once a year, the existence and evaluation of assets, liabilities, and capital through the inventory process of these items supported with proper evidence.

Annual Financial Statements shall contain the following documents:

- » Statement of financial position;
- » Statement of comprehensive income;
- » Statement of other comprehensive income;
- » Statement of changes in equity;
- » Statement of cash flow;
- » Notes to the financial statements.

The structure and content of the annual financial statements is regulated by a sub-legal act issued by the Minister of Finance, upon the proposal of KCFR.

FINANCIAL STATEMENTS

A business organization that did not conduct any business activity during the financial year and did not record any data on the assets and liabilities in the accounting books, submits to the KCFR the declaration of inactivity for the previous business year by March 31st of the following year.

The general purposes financial statement of the large business entities including the audit report shall be filed with KCFR, not later than 30 April (30 June for consolidated financial statements) of the following year.

Business enterprises must submit their financial statements together with other required documents to KCFR within 30 April of the year following the year of reporting, in both hard copy and electronic format.

Groups of enterprises must submit their consolidated financial statements together with other required documents to KCFR within 30 June of the year following the year of reporting, in both hard copy and electronic format.

Business enterprises and groups classified as medium or large must also submit to the KCFR the decision on the approval of the financial statements and the decision on the proposal for distribution of profits or losses if these are not part of the financial statements.

Stand-alone financial statements should be filed to tax authorities before or on 31 March of the following year.

AUDIT REQUIREMENTS

As per the Accounting Law, statutory audits in Kosovo shall be carried out in accordance with the International Standards of Auditing (“ISA”) and related interpretations, guidance and pronouncements of IAASB.

The Accounting Law provides the following audit requirements:

- » The financial statements of large enterprises/groups shall be audited by auditing firms licensed by KCFR;
- » The financial statements of medium enterprises/groups shall be audited by auditing firms licensed by KCFR;
- » The financial statements of business enterprises that have the turnover less or equal than EUR four (4) million shall be subject to independent auditor revision report in accordance with international Standards for Revision Engagements.

Business organizations which have a statutory audit obligation must appoint an audit firm or statutory auditor at the latest in the last 3 months before the end of the reporting period for which the statutory audit is required. Meanwhile subject to statutory review are small/medium enterprises and groups that do not exceed the net annual turnover of EUR four (4) million.

The Law introduces audit rotation requirements of maximum 10 years and a cool-off period of 4 years applicable for large enterprises as well as medium and large groups.

TAXATION OF BUSINESSES

GENERAL

The tax system includes personal income tax, corporate income tax, value added tax (VAT) and excise tax. The fiscal year is the calendar year. The process of establishing the tax legislation in Kosovo started in April 2000 with the introduction of Regulation “On Tax Administration and Procedures”. This Regulation was followed by the introduction of Presumptive Tax in May 2002. VAT was firstly set up in May 2001 and personal income tax in February 2002. A modern system of collection of corporate income tax, personal income tax and withholding tax on dividends, interest, and payments for determined services was introduced by the end of 2004, which has been subject to subsequent amendments.

RESIDENCE

A person is considered resident in Kosovo for tax purposes when its place of establishment or place of effective management is in Kosovo.

CORPORATE INCOME TAX

Corporate Income tax is governed by Law No. 06/L-105 “On Corporate Income Tax” which replaced Law No. 05/L-029. The Law is in force from 3 August 2019.

Companies conducting business in Kosovo are subject to corporate income tax at a rate of 10%.

Taxpayers with annual gross income up to EUR 30,000 (VAT threshold) may choose between payment of the tax on gross income or corporate income tax. The rates of the tax on gross income are:

- » three percent (3%) of income resulting from activities of trade, transport, agricultural and similar commercial activities;
- » nine percent (9%) of income resulting from services, professional/vocational activities, entertainment and similar activities;
- » ten percent (10%) of net rent income (gross rent income less 10% allowance as provided by the legislation), reduced by any amount withheld at source.

Taxable profit

The determination of the taxable base starts with the profit shown in the profit and loss account. The profit calculation is made according to the accounting legislation and the tax provisions.

Corporate Income Tax Law provides for a list of expenses that are non-deductible for tax purposes, consisting of:

- » cost of acquisition and improvement of land (capitalized);
- » cost of acquisition, improvement, renewal and reconstructions of assets that are depreciated or amortized;
- » fines and penalties;
- » income tax paid or accrued for the current or previous tax period and any interest or late penalty incurred for late payment of it;
- » any loss from the sale exchange of property between related persons;
- » pension contributions above the maximum amount allowed by the Kosovo Pension Law;
- » bad debts that do not meet the following cumulative conditions: (i) the amount that corresponds to the debt has previously been included as income; (ii) the debt is written off from the taxpayer's book; (iii) the existence of the debt is undisputed; (iv) there is adequate evidence of substantial unsuccessful attempts made by the taxpayer to collect the debt; and (v) the debt was due at least six months before the day when it is recognized as a bad debt;
- » contributions made for humanitarian, health, education, religious, scientific, cultural, environmental protection and sports purposes, which exceed ten percent (10%) of taxable income (before the deduction of such expenses);

- » contributions made for sport, culture and youth activities are deductible according to the Law No. 05/L-090 “On Sponsorships” (i.e., 30% of tax on profit);
- » representation costs such as organization of meetings, presentation of new projects, inauguration of new production lines, treats and receptions related exceeding one percent (1%) of total gross income;
- » expenses on rent of apartment serving for accommodation and lodging of resident and non-resident employees;
- » benefits in kind including, meals and transport tickets unless organized by the taxpayer themselves;
- » expenses for presents, other than those with the name and logo of the business, which are part of the expenses of representation;
- » benefits in kind in the form of meals and transport tickets, unless it is organized by the business.

Depreciation

The owner of the asset is entitled to depreciation allowances. In case of a financial lease, depreciation may be claimed by the lessee, being the person who bears the risk of the loss or destruction of the asset.

For fiscal purposes, assets are categorized in three groups and depreciation rates are applied, using the straight-line method, on the historical value of each individual asset.

Category 1 – Buildings and other construction structures considered to depreciate at a rate of 5%.

Category 2 – Automobiles and light trucks, heavy transport vehicles, other heavy vehicles, computers and similar office furniture, and equipment are considered to depreciate at a rate of 20%.

Category 3 – Plant and machinery, rolling stock and locomotives used for rail transport, airplanes, ships and all other tangible assets are considered to depreciate at a rate of 10%.

Purchase of an asset for a price of EUR 1,000 or less shall be allowed as a current expense.

Expenditures on intangible assets that have a limited useful life are deductible in the form of amortization charges. The method of amortization must be the straight-line method and the allowance should be based on the useful life of the asset as determined by the agreement governing the acquisition and use of the intangible asset. In case the useful life is not determined than it will be deemed 20 (twenty) years.

Depreciation allowances are not granted on land, works of art and other property, which are not subject to wear.

Reserves and Provisions

The law defines, mathematical, technical and expected loss provisions. Such provisions are deductible for banks, financial institutions and insurance companies up to the level of 80% of the provisions allowed by the respective regulators.

Losses

Losses may be carried forward for four consecutive years. In case of change of the type of business organization or its ownership with more than 50% the carry forward of losses will no longer be applicable.

Foreign Tax Credit

Income taxes paid abroad by Kosovo residents are deductible from tax amounts due in Kosovo in accordance with the provisions of Corporate Income Tax Law.

WITHHOLDING TAXES

Interest and Royalties

Interest and royalties are subject to a final withholding tax at 10% rate.

Rent

Rent payments are subject to withholding tax at 9% rate.

Other Withholdings

- » Winnings in lottery or gambling are subjects to withholding tax at the rate of 10% on gross amount of the payment;
- » Income generated by an artist or sportsman, from his/her personal activities performed in Kosovo is subject to withholding tax at the rate of 5% of the gross payment;
- » Income generated from a non-resident person/entity for services rendered in Kosovo is subject to withholding tax at the rate of 5% of the gross payment;
- » Income generated from a non-resident person/entity for services rendered in Kosovo is subject to withholding tax by the payer of that income at the rate of 5% of the gross payment (considering that the non-resident person/entity has no permanent establishment in Kosovo);
- » withholding tax for non-business persons such as farmers, collectors of recycled materials, mountain fruit, medicinal plants and similar, shall be subject to withholding tax at 1% of the gross payment.

Transfer Price

On 20 July 2017, the Minister of Finance issued the Administrative Instruction No. 02/2017 on Transfer Pricing, which defines the rules and procedures for the implementation of transfer pricing as with the provisions of the Law “On Corporate Income Tax”.

The rules and procedure set forth in the above-mentioned instruction are based on the OECD guidelines and any other guideline that may be issued in the future.

The open market value is determined by the comparable uncontrolled price method. In cases where this method is not applicable, the following methods may be applied as the most appropriate method:

- » Resale price method;
- » Cost plus method;
- » Transactional net margin method;
- » Profit split method.

According to the Administrative Instruction, a taxpayer is obliged to prepare and present to the tax authorities within 30 days upon their request the necessary documents and analysis to prove that the controlled transactions are in compliance with the arm’s length principle.

The taxpayers performing controlled transactions exceeding the amount of EUR 300,000 within a year should submit with the tax authorities an annual controlled transactions form by 31 March of the following year.

Double Taxation Avoidance Treaties

Kosovo tax authorities have not officially abolished the tax treaties that were signed by the former Yugoslavia. On the other hand, they have not accepted the direct application of these tax treaties.

The Tax Administration of Kosovo, has published the following information regarding the double tax treaties:

- » Albania in force from 1 January 2006 (an updated version applicable from 1 January 2016);
- » Belgium in force from 23 February 2010 and applicable from 13 April 2012;
- » Germany in force and applicable from 2 September 2011;
- » Finland in force and applicable from 2 September 2011;
- » Macedonia in force from 6 June 2011 and applicable from 1 January 2014;

- » Hungary in force from 13 January 2014 and applicable from 1 January 2015;
- » Slovenia in force from 14 April 2014 (applicable from 1 January 2015);
- » The United Kingdom of Great Britain and Northern Ireland in force from 9 July 2015 and applicable from 1 January 2016;
- » The Netherlands in force from 31.12.2021 and applicable 01.01.2022;
- » Turkey in force from 8 November 2012 and applicable from 1 January 2016;
- » Austria in force from 31 December 2018 and applicable from 1 January 2019;
- » Croatia in force from 4 December 201 and applicable from 1 January 2018;
- » Malta in force from 20 September 2019 and applicable form 1 January 2020;
- » Switzerland in force from 10 October 2018 and applicable form 1 January 2019;
- » Grand Duchy of Luxembourg in force from 23 July 2019 and applicable form 1 January 2020;
- » United Arab Emirates in force from 3 July 2017 and applicable from 1 January 2017;
- » Latvia in force from 1 November 2021 and applicable from 1 January 2022;
- » Ireland in force from 4 March 2022 and applicable from 1 January 2023.

INDIRECT TAXES

VAT Law in Kosovo

The Parliament of Kosovo has approved Law “On Value Added Tax” no. 05/L-037 which replaced the previous VAT Law No. 03/L-146 and entered in force on 1 September 2015. The law is in line with the European VAT Directive.

Under VAT Law, a taxable person is any person who is, or is required to be registered for VAT, and who, carries out in Kosovo, independently, any economic activity in a regular or non-regular manner, whatever the purpose of results of that economic activity is.

Every taxable person is required to be registered for VAT from the moment when the total exceeds the threshold of EUR 30,000 within a calendar year.

Foreign entities are subject to VAT registration, from the beginning of their economic activity in Kosovo, regardless of the VAT threshold.

Tax authorities issue a VAT registration certificate to the taxable person which has to be displayed at each place of business activity. A taxable person conducting the same or different economic activities and who has several places of economic activity within Kosovo, is identified by one individual and unique VAT registration number.

Taxable transactions include the supply of goods and services in Kosovo by a taxable person, as well as the import/importation of goods to Kosovo.

The taxable amount is the value of the goods and services supplied, excluding VAT. The taxable amount of imported goods includes transportation and insurances costs, import costs and any applicable taxes, duties or tariffs.

A taxable person shall submit a tax declaration and remit the related payment not later than the 20th of the calendar month following the end of each tax period.

The period for storage of books and all VAT records is at least 6 years.

VAT Rate

From 1 September 2015 the standard rate of VAT is 18% (previously 16%). However, the Law has introduced a reduced rate of 8% for the following supplies:

- » supply with water, except bottled water;
- » supply with electricity, including transmission and distribution services, with central heating, waste collection and other waste treatment;
- » grains such as barley, corn, maize varieties, oats, rye, rice and wheat;
- » products made from grain for human consumption, such as flour, pasta, bread and similar products;
- » cooking oils made from grains or oilseeds for use in cooking for human consumption, dairy and dairy products intended for human consumption, salt appropriate for human consumption, eggs for consumption;
- » textbooks and serial publications;
- » supply including lending of books from libraries including brochures, leaflets and similar printed materials, children's picture books, drawing and coloring books, music printed texts or manuscripts, maps and hydro graphic charts and similar;
- » information technology equipment;
- » supply with medicines, pharmaceutical products, instruments, medical and surgical devices, medical equipment, ambulances, aids and other medical and surgical devices to facilitate or treat inability for exclusive use by the disabled, including the repair of such goods; and
- » supply with children's vehicle seats.

VAT Exemptions

Besides several public services the following activities are VAT exempted:

- » Insurance and reinsurance transactions, including related services, performed by insurance brokers and insurance agents;
- » The granting and negotiation of credit and the management of credit by the person granting it;
- » The negotiation of or any dealings in credit guarantees or any other security for money and the management of credit guarantees by the person who is granting the credit;
- » Transactions, including negotiation, concerning deposit, current accounts, payments, transfers, debts, cheques and other negotiable instruments, but excluding debt collection;
- » Transactions, including negotiation, concerning currency, bank notes and coins used as legal tender, with the exception of collectors' items, that is to say, gold, silver or other metal coins or bank notes which are not normally used as legal tender or coins of numismatic interest;
- » Transactions, including negotiation but not management or safe-keeping, in shares, interests in companies or associations, debentures and other securities, but excluding documents establishing title to goods, and the rights or securities;
- » The management of special investment funds as defined by the competent Authorities of Kosovo;
- » The supply at face value of fiscal stamps and other similar stamps;
- » Betting, lotteries and other forms of gambling, subject to the conditions and limitations laid down by the competent Authorities of Kosovo;
- » The supply of land or land on which a building or house stands;
- » The supply of houses, apartments or other accommodation used for a relevant residential purpose;
- » The leasing or letting of immovable property;
- » The supply of goods used solely for an activity exempted under Article 27 and Article 28 of the VAT Law, if those goods have not given right to deductibility;
- » Newspapers and periodic publications and media services;
- » Supply of services from electronic medias of radio and television;
- » Supply of public transport services to citizens and their luggage.

VAT Exemptions on Importation

- » The release of goods for free circulation, if the supply of such goods effected on the territory of Kosovo by a taxable person are in all circumstances exempt from VAT;
- » The re-importation of goods by the person who exported them, of goods in an unchanged condition in which they are exported, provided that such goods are exempt from customs duties in accordance with Customs legislation;
- » Imported goods exempt from custom duties and intended for:
 - i. Official use of diplomatic and consular offices and special missions accredited to Kosovo;
 - ii. Official use of international organizations, if there are laid down by international treaties or agreements which apply to Kosovo;
 - iii. Personal use of the foreign staff of diplomatic and consular special missions accredited to Kosovo, including their family members;
 - iv. Personal use of the foreign staff of international organizations, including their family members, if this is laid down by international treaties which apply to Kosovo;
 - v. Armed Forces of the North Atlantic Treaty Organization and KFOR, for use of such forces or the foreign civilian staff accompanying them or for the supply of their messes or canteens;
 - vi. Personal use of the foreign staff of contractors of international organizations or foreign governments and their organizations, including their family members, if this is laid down in bilateral agreements which apply to Kosovo.
- » Import of catches of fishing vessels and fishing boats used for the purpose of carrying out a fishing activity into a port, provided that the catch is either unprocessed or subject to only those procedures that are necessary to preserve its quality and that, prior to the importation, no supply was performed in accordance with VAT Law;
- » Services related to the import of goods, provided that the value of such services is included in the taxable amount in accordance with provisions of VAT Law;
- » Gold and other precious metals, bank notes and coins imported by

the Central Bank of Kosovo;

- » Import of gas through natural gas distribution systems or import of electricity;
- » Imported goods that have been placed under a suspense arrangement, a customs procedure with economic impact or a customs approved treatment and are exported out of Kosovo when the goods cease to be covered by the arrangement, procedure or treatment;
- » Imported goods for/or by electronic media and printed only for their purposes;
- » Production lines and machinery for use in production process;
- » Raw materials used for the production process;
- » Information technology equipment (after meeting certain criteria);
- » Newspapers and periodic publications (after meeting certain criteria).

VAT Exemption on Exportation

- » The supply of goods dispatched or transported to a destination outside Kosovo by or on behalf of the vendor;
- » The supply of goods dispatched or transported to a destination outside Kosovo by or on behalf of a customer not established within the territory of Kosovo, with the exception of goods transported by the customer himself for the equipping, fueling and provisioning of pleasure boats and private aircraft or any other means of transport for private use;
- » The supply of goods to bodies recognized by the competent Kosovo Authority which export them out of Kosovo as part of their humanitarian, charitable or teaching activities outside Kosovo;
- » The supply of services consisting in work on movable property acquired or imported for the purpose or undergoing such work within Kosovo, and dispatched or transported out of Kosovo by the supplier, by the customer if not established within Kosovo or on behalf of either of them;
- » The supply of services, including transport and ancillary transactions, but excluding the services exempted, where these are directly connected with the exportation or importation of goods;
- » Goods to be carried in the personal luggage of travelers under certain conditions are met.

VAT Exemptions Related to International Transport

- » The supply of goods for the fueling and provisioning of vessels used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or fishing activities, or for rescue or assistance at sea, or for inshore fishing, with the exception, in the case of vessels used for inshore fishing, of ships' provisions;
- » The supply of goods for the fueling and provisioning of fighting ships, falling within the combined nomenclature (CN) code 8906 1000, leaving their territory and bound for ports or anchorages outside Kosovo;
- » The supply, modification, repair, maintenance, chartering and hiring of the vessels as provided by VAT Law, and the supply, hiring, repair and maintenance of equipment, including fishing equipment, incorporated or used therein;
- » The supply of services which meet the direct needs of the vessels or of their cargoes;
- » The supply of goods for the fueling and provisioning of aircraft used by airlines operating for consideration chiefly on international routes;
- » The supply, modification, repair, maintenance, chartering and hiring of the aircraft and the supply, hiring, repair, and maintenance of equipment incorporated or used therein.

Special Schemes

VAT law provides special schemes for travel agents, sales by public auction, farmers, for electronically supplied services and for investment in gold.

LOCAL TAXES

Tax on Real Estate

All persons that own, use or occupy immovable property are subject to tax on real estate. The annual tax rates may vary between 0.05% and 1% of the market value of the real estate. The tax is paid in two equal installments on or before 30 June and 31 December of the fiscal year.

Excise tax

Excise tax is applied to a limited number of goods such as coffee, tobacco, alcoholic drinks, soft drinks, derivatives of petroleum and motor vehicles mainly for transport of persons. For goods produced in Kosovo, the excise tax is calculated on the sale price of goods. For imported goods this tax is calculated on the

customs value including the import duty. Excise tax is not applied when goods are exported.

Excise tax is not levied on the following:

- » Raw and auxiliary materials having the nature of excisable goods that are imported in Kosovo for being used in the manufacture of goods for export;
- » Goods to be used exclusively for humanitarian purposes and not in sale to consumers in Kosovo; and
- » Goods financed from the grants made to Kosovo governments by governments, governmental agencies, governmental or non-governmental organizations, in support of humanitarian and reconstruction programs and projects in Chapter Kosovo.

Excise tax is not payable by the following entities:

- » Foreign diplomatic and consular missions;
- » United Nations or any of its organs including UNMIK, the specialized agencies of the United Nations, KFOR, international inter-governmental organizations and governmental agencies on goods used for official purposes;
- » Contractors to UNMIK, the specialized agencies of the United Nations and KFOR importing goods to be used exclusively by those contractors in connection with the performance of contracts for UNMIK, the specialized agencies of the United Nations or KFOR; and
- » Registered non-governmental organizations with the public benefit status on the following goods used exclusively by the non-governmental organization to fulfill its public benefit purposes: gasoline, kerosene, diesel and ethanol.

Customs Duties

Customs duties are charged according to imported goods' classification in a 6-digit Harmonized System. Major exemptions from payment of the custom duties are applicable for:

- » Imports of goods for official use by diplomatic representatives and consular missions;
- » Imports of goods for official use by the United Nations or any of its organs including UNMIK, the specialized agencies of the United Nations, KFOR, the International Committee of the Red Cross (ICRC) and entitled and duly authorized international organizations operating in Kosovo;

- » Imports of goods financed from the grants made to UNMIK or through UNMIK, for Ministries, governmental or non-governmental organizations in support of humanitarian and reconstruction programs and projects in Kosovo;
- » Specific imports of goods to be used exclusively for humanitarian purposes and not in sale for consumers in Kosovo, as defined by the SRSG.

The tariff nomenclature provides for customs rate from 0% to 10% for goods imported into Kosovo depending to classification of goods and application of free trade agreements.

TAXATION OF INDIVIDUALS

GENERAL

Personal Income Tax is governed by the Law No. 05L-028 “On Personal Income Tax”, in force from 1 September 2015.

Under Personal Income Tax Law while residents pay tax on all taxable income sources, non-residents pay tax only on income generated within the territory of Kosovo.

RESIDENCE

Residents are considered to be persons who stay in Kosovo, in aggregate for a period or periods exceeding 183 days in a twelve-month period or a personal business enterprise, partnership, or association of persons which is established in Kosovo or has its place of effective management in Kosovo.

TAXABLE INCOME

Taxable income for a tax period is the difference between gross income received or accrued during the tax period and the deductions allowable.

Personal income tax is levied on the following categories of income:

- » Wages, salaries and other compensation derived from labor relations. These income include basic compensation, overtime compensation, bonuses and any other payment for the performance of employment;
- » Income from rent;

- » Income from use of intangible property (copyright, licenses, patents, etc.);
- » Interest from loans, bank deposits, bonds and other interest-bearing securities;
- » Reimbursement or compensation for medical treatment and expenses, including hospitalization and medication, other than wages paid during the periods of absence from work due to sickness or injury;
- » Capital gains including the income from transfer of ownership on real estate;
- » Lottery and other gambling;
- » Other income that increases the taxpayer's net worth (i.e., any other item of income that is not explicitly exempt).

TAX EXEMPT INCOME

Wages received for the work performed in Kosovo by foreign diplomatic and consular representatives and foreign personnel of international governmental and non-governmental organizations, donor agencies or their contractors (carrying out humanitarian aid or assistance), UN and International Atomic Energy Agency, authorized international inter-governmental financial institutions operating in Kosovo and KFOR are exempt from personal income tax.

Additionally, the following income is exempted from personal income tax:

- » Compensation for the damage or destruction of property;
- » Proceeds of life insurances policies payable as the result of the death of the insured person;
- » Reimbursement or compensation for medical treatment paid during the periods of absence from work due to sickness or injury;
- » Interest on financial instruments which are issued or guaranteed by a public authority of Kosovo paid to resident or non-resident individuals;
- » Dividends received by resident and non-resident individuals;
- » Pensions and social welfare payments paid by the Government;
- » Assets received, or value of assets received, as a result of inheritance up to the value of EUR 5.000;
- » Educational expenses paid by an employer on behalf of an employee provided that such expenses are paid directly to an educational institution that is recognized in accordance with the applicable law

in Kosovo and provided that the employee will remain employed at the employer for at least 24 months after the termination of the education for which the expenses are paid by the employer;

- » Scholarships received by an individual to attend an institution of higher learning, trade school, or vocational school, so long as the scholarship is paid directly to the institution and no part of the scholarship is refundable to the students;
- » Training expenses paid by the employer for the employee, which do not exceed EUR 1,000 in any tax period;
- » Income received for expropriation made by the state for public interest;
- » Compensation benefits received through final decisions by courts and certain compensations for court costs;
- » Mandatory contributions paid by the employer for health insurance for the employee.

PERSONAL INCOME TAX RATES

Wages, salaries and other compensation for employees will be taxed as follow in Table 7.

Taxpayers are required to prepare an annual tax declaration for personal income tax on or before 31 March of the following year (see Appendix B).

TABLE 7

| Threshold (annual compensation in EUR) | | Income tax |
|---|----------|--|
| 0 | 960 | 0% |
| 961 | 3,000 | 4% of the amount over 960 |
| 3,001 | 5,400 | EUR 81.6 + 8% of the amount over EUR 3,000 |
| 5,401 | And over | EUR 273.6 + 10% of the amount over EUR 5,400 |

Taxpayers who receive or accrue income only from one or more of the following sources are not required to submit an annual declaration:

- » Wages;
- » Interest;

- » Rent when the declaration for such income is made on quarterly basis;
- » Lottery or other gambling;
- » Income from intangible property;
- » Income from gifts.

PENSION CONTRIBUTIONS

As per Law No. 04/L-101, dated 8 May 2012 “On pensions Funds of Kosovo” both the employer and the employee must pay pension contributions at the level of five percent (5%) of the gross monthly salary. Also, the employer and the employee may voluntarily contribute an additional amount up to a total of ten percent (10%) of monthly salary for a total maximum of fifteen percent (15%) of the gross salary.

TAXES ON INDIVIDUAL BUSINESS ACTIVITIES

Individuals who carry on independent business activities and are not required to be registered as taxable persons for VAT purposes are subject to the tax on business activity. Such tax is paid quarterly, within 15 April, 15 July, 15 October of the current year and 15 January of the subsequent fiscal year. For taxpayers with an annual gross income from business activities up to EUR 50,000 who are not required to, and do not choose to keep the books and records, the tax amount is:

- » three percent (3%) of each quarter’s gross income resulting from activities of trade, transport, agricultural and similar activities, but not less than EUR 37.5 per quarter; and
- » nine percent (9%) of each quarter’s gross income resulting from provision of the services, professional/vocational business activities, entertainment and similar activities, but not less than EUR 37.5 per quarter.

Taxpayers with annual gross income of more than EUR 50,000 who keep books and records are required to pay personal income tax according to rates shown in Table 7. Expenses incurred during the tax period are deductible from the gross income resulting from business activities.

LABOR LAW IN KOSOVO

GENERAL ISSUES

Employment in Kosovo is governed by the Law No. 03/L-212 “On Labor” published in the Official Gazette No. 90/2010 and entered into force on 15 December 2010 (“Kosovo Labor law”), Law No. 04/L-101 “On Pension Funds of Kosovo” published in the Official Gazette No. 10/2012 and entered into force on 30 March 2012 and the Law No. 04/L-168 “On amending and Supplementing the Law No. 04/L-101 “On pension Funds of Kosovo”” published in the Official Gazette No. 08/2013 and entered into force on 23 April 2013 and the Law No. 05/L-116 – “On amending and supplementing the Law No. 04/L-101” published in the Official Gazette No. 03/2017 and entered into force on 1 February 2017 (‘Pension Law’) and other normative acts issued by Kosovo’s legislative bodies in order to regulate different features of the employment area based on the rapid social and economic changes that occur.

WORKING CONDITIONS

Minimum Age

Eighteen (18) years of age is a minimum age for employment or work. A person between 15 years of age and 18 years of age may only be employed in certain type of works that are not likely to be harmful to employee’s health or development and are not forbidden by another law or sublegal act. Employment of persons under 15 years of age is prohibited.

Working Hours and Overtime

The normal weekly working hours should not exceed 40 hours for employees over 18 years of age and 30 hours for employees between 15 years of age and 18 years of age. Employees are entitled to a rest between two continuous working days lasting for at least 12 consecutive hours.

Overtime Work

Kosovo Labor Law makes a distinction between mandatory and voluntary overtime. Mandatory overtime must be performed by the employee in extraordinary cases with the increase of volume of works and in other necessary cases, on the request by the employer. Such overtime must not exceed 8 hours per week.

Besides the mandatory overtime, the employee may perform paid voluntary overtime in agreement with the employer. In such cases, the employee is entitled to a monetary compensation calculated in the following percentages of the basic salary:

- » 20% of the basic salary per hour for extra shifts;
- » 30% of the basic salary per hour for night shifts;
- » 30% of the basic salary per hour for extended working hours (overtime);
- » 50% of the basic salary per hour for work on national holidays and weekends.

The employee is entitled to be compensated in days off instead of the allowances defined herein above.

Retirement Age

Pursuant to the Pension Law, the retirement age is set at the age of 65 years, and the Pension Law makes no distinction with regard to gender.

Anti – Discrimination

Kosovo Labor Law contains provisions which prohibit all forms of discrimination characterized by sex, race, religious and ethnical background. Moreover, direct or indirect discrimination of persons with disabilities is prohibited during employment, promotion and career advancement, if that job may be performed adequately by a person with disabilities.

EMPLOYMENT CONTRACTS

As a general rule, according to the Kosovo Labor Law, employment contracts are made in written form, may be stipulated either for limited or unlimited duration or for specific tasks and duties. An employment contract must include at least the following:

- a. the parties, their place of residence (for the employer the legal seat and the registration number of work with the Business Register);
- b. the name, kind, nature of work or services and a brief description of the duties;
- c. the place of work, and notification that work will be performed in different locations;
- d. the duration and working hours;
- e. the date of initiation and working hours;
- f. the duration of the employment contract;
- g. the amount of the base salary and any additional or other income;
- h. the duration of annual leave;
- i. the termination of the employment relation;
- j. other data considered relevant for the regulation of the labor relation from the parties.

Employment Contract Types

Kosovo Labor Law provides the following rules on the following types of contracts:

- » Employment contract for specific tasks and duties:

This type of contract may not last more than 120 days within a year. The employee does not enjoy the right to annual leave and other rights stipulated in the collective contract.

- » Limited duration contract:

This contract may not be concluded for a cumulative period of more than 10 years. If explicitly or tacitly renewed beyond this term, the contract shall be deemed with indefinite duration.

- » Employment contract for professional training:

The employer may engage individuals for professional training and performing certain tasks through practical work (i.e., internship relation). The practice work of an intern with university and post-graduate qualification shall not last more than 1 year, whereas the practical work of an intern with secondary education shall not last more than 6 months. If agreed by the parties, the interns shall not be subject to any salary or other rights deriving from the employment contracts (except for the duties of the employer to ensure application of safety rules to these interns). Employers who engage the interns without compensation of a salary shall be obliged to evidence this fact accordingly.

- » Probationary Period:

Probationary period may not last more than 6 months and termination of employment contract during this period is done upon written notice of at least 7 days in advance.

- » Termination of employment contracts:

Kosovo Labor Law provides for the termination of an employment whenever one of the following events occurs:

- a. the death of the employee;
- b. the death of the employer in cases when the job is strictly connected with the employer personally;
- c. upon expiration of the duration of the contract;
- d. when the employee reaches the retirement age (65 years of age);
- e. upon the date of issue of a definitive decision for loss of labor capacities;
- f. if the employee shall serve a sentence of imprisonment which will last longer than 6 months;
- g. upon a decision of the competent court that leads to the termination of the employment relationship;
- h. in case of bankruptcy or liquidation of the enterprise;
- i. upon agreement of the employer and employee;
- j. other cases specified by laws in force.

An employment contract may be terminated by the employer upon expiration of a notification period when:

- a. such termination is justified for economic, technical or organizational reasons and is impracticable for the employer to transfer, train or qualify the employee for the job or other jobs;
- b. the employee is no longer able to perform the job and is impracticable for the employer to transfer, train or qualify the employee for the other jobs;
- c. there is a serious case of misconduct;
- d. unsatisfactory performance of work duties.

An employment contract may be terminated by the employer without providing a period of notice of termination in cases when:

- a. the employee fails to remedy from repeating non serious misconducts or breach of obligations;
- b. the employee's performance remains unsatisfactory in spite of the written warning (provided that the employer has notified in written to the employee the description of the unsatisfactory performance and provided for a probation time for improvement).

Notification periods for termination of employment contract of unlimited duration are as follows:

- » from 6 month to 2 years of employment: 30 calendar days;
- » from 2-10 years of employment: 45 calendar days
- » above 10 years of employment: 60 calendar days.

The employer may terminate a limited duration employment contract upon 30 calendar days' notice. The employer who does not intend to renew a limited duration contract must inform the employee at least 30 days before the expiry of the contract.

Collective Agreement

A collective agreement may be concluded between:

- a. organization of employers and their representatives; and
- b. organization of employees or, in cases where there are no such organizations, the agreement may be concluded by the representatives of employees.

A collective agreement may be concluded at:

- a. state level;
- b. branch level; or
- c. enterprise level.

A collective agreement may be for a limited duration of no more than 3 years. A collective agreement shall apply to employers and its employees who agree to be bound by such collective agreement.

HOLIDAYS/PAID LEAVE

Leaves and Absence from Work

The Law provides for the following new rules on annual leave:

- » newly hired employees having worked for at least 6 continuous months are entitled to a paid annual leave in proportion with the months of work;
- » after the first year of employment, the employees are entitled to a paid annual leave of at least 4 weeks during the calendar year, regardless whether employment is full or part time;
- » annual leave shall be taken no later than 30 June of the following calendar year.

Other paid leaves consist of:

- » 2 days for the father in case of birth or adoption of a child;
- » 5 days in case of employee's marriage;
- » 5 days in case of death of a close family member;
- » 1 day in each case of voluntary blood donations.

Further, in case the work conditions are not satisfactorily secured or fail to protect the health and life of the employee, as set forth in a decision of the authorized state body or employer's body, the employee shall be entitled to a paid justified absence from work for a maximum period of 45 days within a calendar year.

Unpaid leaves comprise the following:

- » an indefinite period based on a request of the employee to the employer;
- » 2 weeks for the father after the birth or adoption of a child, granted at any time before the child reaches the age of 3 years (upon 10 days prior notification to the employer).

Maternity Leave

Pregnant women are entitled to 12 months of maternity leave to be taken upon a medical certificate 45 days before giving birth or, if consented by the woman, 28 days before the expected childbirth.

The first 6 months of maternity leave are compensated with 70% of the salary payable by the employer, the consecutive 3 months are compensated with 50% of the salary payable by the Government of Kosovo and the last 3 months are not subject to monetary compensation. Before the entry into force of the new Law, maternity leave consisted of 12 weeks entirely payable from the employer at the amount of 2/3 of the salary.

Sick Leave

During an ordinary sick leave, the employee shall be entitled to receive his/her entire salary for a period of leave up to 20 working days within 1 year, while for occupational injury and related illness (e.g., accident at work) the payment shall consist of 70% of the salary. Payment for compensation for sick leave binds on the employer.

National Holidays

National Holidays in Kosovo shall be observed by employers and the employee is entitled to compensation during such National Holidays, as it was normal working day.

Health and Safety at Work

Women, persons under 18 years old and disabled persons enjoy special protection under the Kosovo Labor Law. Specifically, persons less than 18 years old should not work under conditions which, given their nature of circumstances, damage the health, safety or the moral of the employee. While, pregnant and breastfeeding women shall be prohibited to conduct labor activities that are classified as harmful for the health of the mother of the child.

Pregnant women, mothers with a child under the age of 3 years or a child with serious disability shall not be obliged to perform overtime on night shifts. Maternity rights may be exercised from the father in case of sickness, abandoning of the child and/or death of the mother.

An employee that suffers a disability shall be entitled to work in his position or other relevant tasks, if he may perform the duties without the need for professional rehabilitation. The employer is obliged to ensure the adequate type of work for the employee professionally rehabilitated after the recovery.

Transfer of Employees

Employees may be transferred in other job positions, with or without their prior consent, subject to the following rules set forth under the Kosovo Labor law:

An employee may be reassigned without consent to perform a job which requires a lower professional qualification than the one the employee possesses, in cases:

- a. when there is an extraordinary situation as a consequence of an earthquake, fire, flooding or other natural catastrophes until the condition prevails;
- b. when there is a need to replace an absent employee from work but no longer than 30 working days;
- c. of sudden increase in workload, but not longer than 30 working days.

An employee may be reassigned temporarily with consent, to a job which requires the same professional qualification in cases when:

- a. it was ascertained that there is no need for the work of the employee;
- b. the post is temporarily terminated or there is a decrease in the volume of work;
- c. the working space, respectively working tools are rented temporarily to another employer.

The Kosovo Law entitles such employee to conclude an employment contract with the new employer. After the termination of the temporary reassigned period the employee is entitled to return to work to the previous employer in the same post or some other post that corresponds to employee's professional qualification.

In case of statutory change and change of the employer, the Kosovo Labor Law stipulates that the next employer is obliged to take over all obligations and responsibilities of the employment relationship from the previous one in compliance with the collective contract and employment contract.

ACQUISITION AND REGISTRATION OF IMMOVABLE PROPERTY

REGISTRATION OF IMMOVABLE PROPERTY

The registration of immovable properties in Kosovo is regulated under Law No. 04/-L-013 “On Cadastre”, Law No. 2002/5 “On the Establishment of the Immovable Property Rights Register”, as amended, and by Law No. 03/L-154 dated 25.06.2009 “On Property and Other Real Rights”.

While the Register of Immovable Property Rights is established as a mechanism to implement and validate immovable property rights in Kosovo, the Cadastre constitutes the Official Register that includes the registration of land parcels, buildings, arts of buildings and conductive of underneath buildings in Kosovo.

Based on the Law on the Cadastre, Kosovo Cadastral Agency is the responsible authority for the Cadastre and for maintaining the overall official evidence on immovable properties pursuant to the recorded dates of registration and supervising the cadastral activity as well as the issue of secondary legislation concerning cadastral activity.

Municipality Cadastral Offices (MCO's) are entitled by law to record the immovable properties located in the area under the municipality jurisdiction.

The cadastral register contains all the data necessary for identifying immovable property and parties bearing rights over such property, such as the identity of the owner, surface, property number, divisions, if any, borders of property, date of registration, relevant plans that show the location of property, etc.

The Law on the establishment of the immovable property rights register, as amended, enables the registration of rights as follow: (i) ownership (on land, buildings, parts of buildings – apartments and commercial premises); (ii) mortgages; (iii) servitudes; (iv) the rights of use of municipal, public, social and state property; and (v) property burdens and charges.

For an initial registration of an immovable property, a written application should be filed with the MCO under the jurisdiction of which is located the property subject to registration.

Together with the application requesting the registration of the immovable property right, one of the following documents shall be attached in order to support the immovable property right: (i) competent court decision; (ii) the decision of the state administrative body; (iii) the contract for transfer of immovable property rights certified by the competent body; (iv) the decision or contract for the privatization issued by the Kosovo Privatization Agency; (v) the Commission's decision for the Reconstruction of Cadastre; (vi) the Commission's decision for the regulation of lands; and (vii) any other document that by special laws is pertinent to the property rights registration.

The MCO shall decide whether to accept or reject the application for registering the immovable property right, no later than fifteen (15) days after the application filing date and inform the applicant accordingly about its decision. The registration shall be effective upon the record of the decision of the MCO into the said register. In case of a rejection from the MCO to register the immovable property right, 30 days after receiving the written information, the concerned party may request from MCO reconsideration of its decision.

In case of claims where parties fail to agree on any solution, the competent court shall have jurisdiction to rule on the dispute. Upon the decision of the court the MCO shall proceed with the registration.

LAND ACQUISITION AND RELATED MATTERS

Land in Kosovo is categorized as agricultural and construction land. Public construction land can be acquired by private persons/entities only upon the decision of the municipality and/or Ministry of Environment, or privatization procedures. In contrast, construction land other than public or social can be freely acquired from private persons/entities.

Land Lease

According to Law No. 03/L-040 "On Local Self Government" the municipalities have the right to sell and lease immovable and movable property with the exception of sale of the land that is regulated by a special law.

The UNMIK Regulation No. 2003/13 “On the Transformation of the Right of use to Socially Owned Property” establishes the possibility of leasing land for commercial purposes for a term of 99 years. In addition, Law No. 02/L-26 “On Agricultural Land” stipulates that agricultural land may be leased to natural and legal persons, local or foreign, involved in agricultural activities and may not be subleased without consent of owner, with exemption of cases to the transfer of the right of use for 99 years.

Agricultural land may be leased in the form of (i) long term lease (over 3 years); (ii) short term lease (up to 3 years); and (iii) grazing lease.

Investors can also get a lease hold for land from the municipality under which jurisdiction is located the said land for the term of 10 years with an extension opportunity up to 99 years.

GOVERNMENT CONTROLS

COMPETITION LAW

Competition in Kosovo is governed by Law No. 08/L-056 “On the Protection of Competition”, approved by the Assembly of Kosovo on 13.05.2022 and published in the Official Gazette on 07.06.2022 (hereinafter “The Law” or “Competition law”) and the secondary legislation passed for the implementation of the law.

The Competition Law is, to a great extent, in line with the EU Competition policy and regulations. Competition Law regulates concentration of enterprises, prohibited agreements, misuse of a dominant position carried out from “enterprises” with the purpose of restricting, suppressing and distorting competition in the Kosovo market.

For purposes of the Law, an “enterprise” is considered any natural or legal person, private or public, engaged in economic activity, regardless of legal status and the way in which it is financed. A public body is called an enterprise, if engaged in economic activities. Prohibited actions are related to those carried out within the territory of Kosovo or having economic effects in Kosovo.

PROHIBITED AGREEMENTS

Competition Law prohibits all agreements that aim prevention, restriction or distortion of competition in the relevant market, and in particular those that:

- a. directly or indirectly impose purchase or sale price or any other condition in trade;
- b. limit or control production, market, technical development and investments;

- c. share markets or sources of supply;
- d. implement unequal conditions for the same transactions with other commercial enterprises, consequently placing them in an unfavorable competitive position;
- e. conditions the conclusion of the contract with the acceptance of additional obligations by contracting parties that by nature or commercial use, are not related to the object of the contract.

The provisions of the Competition Law contain also some exclusions and exemptions from such prohibition. Also, the Law attributes to the Kosovo Competition Authority the power to enact a sublegal act that determines the categories of agreements and the circumstances in which an agreement meets the conditions to not be considered a prohibited agreement.

Further, the rules of group exclusion should exclude the following group of agreements from the general prohibition rules, insofar as their effects meet the exemption conditions:

- » vertical agreements - in particular exclusive distribution agreements, selective distribution agreements, exclusive purchase and exclusivity agreements;
- » horizontal agreements - in particular research, development and specialization agreements;
- » agreements for transfer of technology;
- » agreements for the distribution and servicing of vehicles;
- » insurance agreements;
- » agreements between enterprises in the transport sector.

The Law provisions on prohibited agreements also do not apply to agreements of minor importance, where both parties to the agreement and the enterprises they control have an insignificant market position and their common market share does not exceed:

- » 10% - in horizontal agreements;
- » 15% - in vertical agreements;
- » 10% - if the agreement has characteristics of horizontal and vertical agreements or it is difficult to determine whether the agreement is vertical or horizontal;
- » 30% - if the agreements between different participants have a significant effect on the market and the individual participation of each participant does not exceed 5% of each individual market where the effects of the agreement appear.

DETERMINING DOMINANT POSITION AND MISUSE OF THE DOMINANT POSITION

A dominant position is not prohibited *per se*, but only the misuse of dominance falls under the prohibition established by the Competition Law. The Law recognizes the existence of a single (one enterprise) and collective (two or more enterprises) dominant position.

An enterprise will be considered in a dominant position if it is not exposed to substantial competition or has a superior power in relation to its existing or potential competitors. The Competition Law provides for a presumed dominant position, if the undertaking has a market share of forty percent (40%) or more. Anyhow, this presumption will not be applicable if the enterprise convincingly demonstrates that it is exposed to substantial competition or that it has no superior market position in relation to its competitors.

As regards collective dominance, under the law, two or more enterprises are considered holding a dominant position, if, vis-à-vis their competitors, they act together on the market and if their general market share is higher than 60%.

The burden of ascertaining that a participant may have the dominant position in the market, whose share in the market is lower than forty (40%), respectively in cases of collective dominance, is lower than 60% falls on the Kosovo Competition Authority.

According to the Competition law the abuse of dominant position occurs in case of:

- a. direct or indirect setting of unreal purchase or sale prices and other unfair trade conditions, respectively;
- b. limitation of production, markets or technological development to the prejudice of consumers;
- c. implementation of different conditions for similar duties with other enterprises thereby placing them in a disadvantageous competitive position;
- d. conditioning the conclusion of the contract with additional obligations that by nature or commercial use are not related to the object of the contract;
- e. setting prices or other conditions, the objective or the result of which is to prevent entering or exclude certain competitors or one of their products from the relevant market;
- f. denying the other enterprise to access in return for adequate remuneration in the network or infrastructure, making it impossible for it to act as a competitor.

CONCENTRATIONS

Competition Law prohibits concentrations of enterprises, which may significantly damage competition, in particular when such concentration results in the strengthening of a current dominant position or creation of a new dominant position.

Subject to the Competition Law, the concentration of enterprises is created through:

- a. Merger of two or more independent enterprises or parts of these enterprises;
- b. Acquisition of direct or indirect control over one or more enterprises or parts of enterprises, by:
 - acquiring shares, or of a part of them;
 - acquiring majority of voting rights; and
 - any other way, based on the provisions of laws in force and other regulations.

Competition Law provides that the acquisition of control is achieved by transferring the rights, contracts or other acts through which one or more enterprises, either individually or together, taking into consideration all legal and factual circumstances, acquire the possibility to achieve decisive influence of the dominant position over one or more enterprises on a permanent basis.

A concentration shall be subject to the clearance and approval of the Kosovo Competition Authority if the following thresholds are met:

- a. the participants in the concentration have a total turnover of over EUR 20 million in the international market and one concentration participant has a turnover of over EUR 1 million in the domestic market; or
- b. at least 2 concentration participants have over EUR 3 million turnover in the domestic market.

In order to obtain clearance by the Competition Authority, any applicant should submit to the said authority a notification on the concentration together with several documents set forth in Competition Law.

In case the Competition Authority assesses that the concentration may significantly affect competition in the relevant market, the said authority performs within 90 days from the date when the notification file is complete, an in-depth assessment of the concentration. As a result, the Authority will issue a decision either to (i) approve the concentration; or (ii) approve the concentration with conditions and obligations; or (iii) prohibit the concentration.

The following costs are due in order to follow the procedures of the Competition Authority:

- a. a filing fee of EUR 100;
- b. a fee of EUR 2,000 for obtaining the temporary concentration clearance;
- c. a fee of EUR 3,000 for obtaining the concentration clearance.

Penalties: The Kosovo Competition Authority may impose disciplinary measures in an amount up to 10% of the total income of the enterprise realized worldwide during the last year for which the final report has been completed if the company participates in the execution of prohibited concentrations of enterprises.

APPENDIX A

ANNUAL DECLARATION AND PAYMENT FORM FOR CORPORATE INCOME TAX

[1] Tax Period:

[2] Serial Number:

[3] Fiscal Number:

[4] Taxpayer Name:

[5] Taxpayer's Address:

[6] Owner:

Phone:

[7] Manager:

Phone:

[8] Accounting/Bookkeeper

Phone:

[9] If the tax declaration is to amend a declaration filed previously for the same tax period, put an 'X' in the box that describes the type of amendment. (Please refer to the guide)

Addition

Correction

Payment only

[48] Amount Due

[49] Amount of Tax Paid

I declare that facts reported in this Statement are true:

Date:

(_____)

First Name/Last Name/Signature and Stamp

[10] Net profit (loss) by Financial Declaration

[10]

Adjustments to Income

| | |
|---|------|
| [11] Foreign source of income (schedule A) | [11] |
| [12] Recovery of bad debts (schedule B) | [12] |
| [13] Capital gain (schedule C) | [13] |
| [14] Dividends (schedule D) | [14] |
| [15] Other income/gain (schedule E) | [15] |
| [16] Total adjustment to income (add lines [11] to [15]) | [16] |
| [17] Profit (loss) after adjustment to income (line [10] + line [16]) | [17] |

Adjustment to Expenses (mostly negative numbers shown in brackets – except line 24)

| | |
|---|------|
| [18] Disallowed expenses (schedule F) | [18] |
| [19] Representation costs (schedule G) | [19] |
| [20] Reserve funds (schedule H) | [20] |
| [21] Payments to related persons (schedule I) | [21] |
| [22] Depreciation (schedule J) | [22] |
| [23] Amortization (schedule K) | [23] |
| [24] Special allowance for new assets (schedule L) | [24] |
| [25] Capital loss (schedule C) | [25] |
| [26] Other expenses (schedule M) | [26] |
| [27] Total adjustments to expenses (add lines [18] to [26]) | [27] |
| [28] Profit (loss) of business after adjustment to expenses (line [17] – line [27]), (When line 27 is in brackets and the whole numbers) | [28] |
| [29] Charitable contributions (attach receipts), (limit 5% of line 28) | [29] |
| [30] Loss carry forward | [30] |
| [31] Add lines [29] and [30] | [31] |
| [32] Adjusted profit (line [28] – line [31]) | [32] |
| [33] Corporate income tax (If line 32 is a profit, multiply by 10%. If line [32] is a loss, enter 0) | [33] |

For Insurance Companies Only

| | |
|---|------|
| [34] Gross Premiums for the tax period | [34] |
| [35] Corporate Income Tax for Insurance Companies ($[34] \times 5\%$) | [35] |

Refund or Amount Due

| | |
|---|------|
| [36] Corporate Income Tax (add the amounts in the line [33] and [35] according to your situation) | [36] |
| [37] Foreign states tax credit (schedule O) | [37] |
| [38] Tax withheld on interest, royalties and rent by resident payers (Schedule P)-attach certificates | [38] |
| [39] Total credits for the period [37] + [38] | [39] |
| [40] Line [36] less [39] | [40] |
| [41] Installments paid (Schedule Q) | [41] |
| [42] Tax to be paid with this form [40] – [41] | [42] |

If the result on line [42] is (+) you have an Amount Due. If the result on line [42] is (-) you have a refund. Write the amount in the appropriate box.

| | |
|---------------------|-------------|
| [43] Amount Due | [44] Refund |
| [45] Bank Name | |
| [46] Account Holder | |
| [47] Account Number | |

DECLARATION OF INCOME AND EXPENSES BY ACTIVITIES

Income from operating activities

| | |
|--------------------------------|------|
| [60] Gross receipts (Turnover) | [60] |
|--------------------------------|------|

Expenses from operating activities

| | |
|------------------------|------|
| [61] Opening inventory | [60] |
|------------------------|------|

| | |
|---|------|
| [62] Purchase or cost of production | [62] |
| [63] Total ([61] + [622]) | [63] |
| [64] Ending inventory | [64] |
| [65] Cost of goods sold ([63] – [64]) | [65] |
| [66] Gross profit ([60]-[65]) | [66] |
| [67] Wages (including pension contributions) | [67] |
| [68] Depreciation and amortization expense (not included in cost of goods) | [68] |
| [69] Selling expenses | [69] |
| [70] General and administrative expenses (not included in cost of goods) | [70] |
| [71] Research & development costs | [71] |
| [72] Other operating expenses | [72] |
| [73] Total operating expenses (Add [67] through [72]) | [73] |
| [74] PROFIT/LOSS FROM OPERATIONS ([66]-[73]) | [74] |

NON-OPERATING ACTIVITIES

| | |
|---|------|
| [75] Other revenues or gains | [75] |
| [76] Other expenses or losses | [76] |
| [77] PROFIT/LOSS FROM NON-OPERATING ACTIVITIES ([75]-[76]) | [77] |
| [78] Net profit (loss) ([74] + [77]) | [78] |

Enter line [78] – Net profit (loss) on line 10 of CIT Declaration

Attach to CIT Declaration

APPENDIX B

ANNUAL DECLARATION AND PAYMENT FORM FOR PERSONAL INCOME TAX

[1] Tax Period (YYYY)

[2] Serial Number:

[3] Fiscal Number:

[3a] Individual ID Number:

[4] Taxpayer's Name:

[5] Taxpayer's Address:

[6] Telephone:

[7] Put 'X' on the appropriate category if not filing for the first time for this tax period

Addition Correction Payment Only

[9] If the tax declaration is to amend a declaration filed previously for the same tax period, put an 'X' in the box that describes the type of amendment.

Addition Correction Payment Only

[8] Gross Wages [8]

[9] Net income from business from line 78 of FD [9]

[10] Net income from partnership as shown in distribution list [10]

[11] Gross Rents [11]

[12] Gross Income from pension payments [15]

[13] Gross Income from interest [12]

[14] Gross Income from Lottery Winnings [13]

[15] Gross Income from Intangible Property [14]

[16] Capital gain [15]

[17] Foreign Source Income [16]

[18] Other Income (specify) [17]

[19] Total Income (add 8 to 18) [19]

Deductions

| | |
|---|------|
| [20] Deduction for rents expenses, actual or 10% of gross rents | [20] |
| [21] Deductions for pension contributions (attach documents) | [21] |
| [22] Deductions for expenses related to intangible property income | [22] |
| [23] Other allowed deductions (specify) | [23] |
| [24] Total deductions (add 20 to 23) | [24] |
| [25] Taxable amount (19-24). If negative put the amount in brackets | [25] |

Additional deductions

| | |
|---|------|
| [26] Losses carried Forward | [26] |
| [27] Deduction for Charitable Contributions (max 5% of taxable amount). Not claimed on FS | [27] |
| [28] Total Additional Deductions (26 + 27) | [28] |
| [29] Taxable Income before tax [25] – [28] (if negative put the amount in brackets) | [29] |
| [30] Tax on Taxable Income as per tax brackets (if negative put zero) | [30] |

Tax withheld during the year

| | |
|---|------|
| [31] Tax Withheld on wages by | [31] |
| [32] Tax Withheld on interests by banks (attach certificates) | [32] |
| [33] Tax Withheld on rents (attach certificates) | [33] |
| [34] Tax Withheld on lottery gains (attach certificates) | [34] |
| [35] Foreign Tax Credit (attach certificates) | [35] |
| [36] Total tax withheld and Credit (attach relevant certificates) | [36] |
| [37] Total tax to be paid for the period [30] – [36] | [37] |
| [38] Quarterly advance payments on business income | [38] |
| [39] Quarterly advance payments on rental and intangible property | [39] |
| [40] Total advance in payments [38] + [39] | [40] |
| [41] Total tax Payable [37] – [40] | [41] |

If the result on line 41 is (+) you have an Amount Due. If the result on line 41 is (-) you have a refund. Write the amount in the appropriate box.

| | |
|---------------------|------|
| [42] Amount Due | [42] |
| [43] Refund | |
| [44] Bank Name | |
| [45] Account Holder | |
| [46] Account Number | |

DECLARATION OF INCOME AND EXPENSES BY ACTIVITIES

Income from operating activities

[60] Gross receipts (Turnover) [60]

Expenses from operating activities

[61] Opening inventory [60]

[62] Purchase or cost of production [62]

[63] Total ([61] + [622]) [63]

[64] Ending inventory [64]

[65] Cost of goods sold ([63] – [64]) [65]

[66] Gross profit ([60]-[65]) [66]

[67] Wages (including pension contributions) [67]

[68] Depreciation and amortization expense
(not included in cost of goods) [68]

[69] Selling expenses [69]

[70] General and administrative expenses
(not included in cost of goods) [70]

[71] Research & development costs [71]

[72] Other operating expenses [72]

[73] Total operating expenses (Add [67] through [72]) [73]

[74] PROFIT/LOSS FROM OPERATIONS ([66]-[73]) [74]

NON-OPERATING ACTIVITIES

[75] Other revenues or gains [75]

[76] Other expenses or losses [76]

[77] PROFIT/LOSS FROM NON-OPERATING ACTIVITIES ([75]-[76]) [77]

[78] Net profit (loss) ([74] + [77]) [78]

Enter line [78] – Net profit (loss) on line 10 of CIT Declaration

Attach to CIT Declaration

BOGA & ASSOCIATES SERVICES AT A GLANCE

Boga & Associates, established in 1993, has emerged as one of the premier law firms in Albania and Kosovo earning a reputation for providing the highest quality of legal, tax and accounting services to its clients. Until May 2007, the firm was a member firm of KPMG International and the Senior Partner/Managing Partner, Mr. Genc Boga, was also the Managing Partner of KPMG Albania.

Our firm's particularity is linked to the multidisciplinary services it provides to its clients. Apart of the wide consolidated legal practice, the firm offers also a significant expertise in tax and accounting services with a keen sensitivity to the rapid changes in the Albanian and Kosovo business environment.

The firm maintains its commitment to quality through the skills and determination of a team of attorneys and other professionals with a wide range of skills and experience.

With its diverse capabilities and experience, the firm acts for leading businesses in most major industries, including banks and financial institutions, as well as companies working in the insurance, construction, energy and utilities, entertainment and media, mining, oil and gas, professional services, real estate, technology, telecommunications, tourism, transport, infrastructure and consumer goods sectors.

The firm offers its clients every legal, tax and accounting service they may require to do business in Albania and Kosovo. Over the years, the firm has advised on privatization transactions, concessions, real estate transactions, setting up businesses, credit facilities and custom and tax issues, all with a keen sensitivity to developments in the business environment.

EXPERTISE

Legal

- » Corporate and M&A
- » Banking and Finance
- » PPP & Concessions
- » Project Finance
- » Data Privacy and Cybersecurity
- » Consumer Protection & Product Liability
- » Employment
- » Environment
- » Intellectual Property
- » Electronic Communication
- » Litigation & Alternative Dispute Resolution
- » Real Estate

Tax

- » Tax Advice
- » Tax Audit Services
- » Tax Compliance

Accounting

- » Bookkeeping Services
- » Accounting Services
- » Forensic Services

BOGA & ASSOCIATES AWARDS AND RANKINGS IN INTERNATIONAL LEGAL DIRECTORIES

For two decades, world's most reputable legal directories place **Boga & Associates** at the top of their ranking's tables. Legal directories such as *Chambers & Partners*, *The Legal 500*, *IFLR1000*, *WTR1000*, *ITR World Tax*, *Benchmark Litigation Europe* conduct extensive market research on yearly basis, undertaking interviews with clients and law firms to build a comprehensive picture of the legal markets around the world. Our lawyers, and the practices they have built, are consistently recognized as **market leaders**.

Boga & Associates has an unparalleled track record of winning top legal rankings, both in recognition of the firm's achievements and for the excellent work completed on individual deals. These awards recognize the strength of our relationships with clients, the scale and breadth of the work we do, the caliber of our work and of our people, and the legal innovation that makes the deals we work on successful.

BOGA & ASSOCIATES

A Top-Tier Law Firm



www.**bogalaw**.com

bogalaw

LEGAL ■ TAX ■ ACCOUNTING

40/3 Ibrahim Rugova Str.
1019 Tirana, Albania
Tel: +355 4 225 1050

50/3 Sylejman Vokshi Str.
10000 Pristina, Kosovo
Tel: +383 38 223152

GPO Box 8264, Tirana, Albania
Email: boga@bogalaw.com
Web: www.bogalaw.com