

Kosovo | Issue 01/09

To keep you up-to-date with the latest economic and financial developments, this bulletin provides information that may affect the operation of your business in Kosovo.

New changes in Kosovo fiscal legislation

- **Corporate income tax rate reduced to 10%**
- **VAT rate increased to 16%**
- **Tax rates on personal income deriving from employment reduced**

Income Tax

UNMIK Regulation no. 2004/51, dated December 4, 2004 "On Corporate Income Tax" is abolished by Law no. 03/L-113, dated December 18, 2008 "On Corporate Income Tax" promulgated with Decree of President of Republic of Kosovo dated December 30, 2008. The new Law entered into force on January 1st, 2009.

We are providing herein a brief description of most important changes.

Corporate Income Tax

Starting from January 1st, 2009, the corporate income tax rate will be reduced from 20% to 10%.

Withholding Tax

The withholding tax rate will be reduced:

- from 20% to 10% for dividends, interests and royalties;
- from 16% to 10% for rent payments made in favor of non tax registered persons.

Value Added Tax (VAT)

UNMIK Regulation no. 2001/11, dated May 31, 2001 "On VAT" as amended with UNMIK Regulation no. 2002/17, dated August 1, 2002, is replaced with Law no. 03/L-114, dated December 18, 2008 "On VAT". This Law is promulgated with Decree of President of Republic of Kosovo dated December 30, 2008 and entered into force on January 1st, 2009.

VAT rate

Starting from January 1st, 2009, the VAT rate will be increased from 15% to 16%.

Personal income tax

UNMIK Regulation no. 2004/52, dated December 4, 2004 "On Personal Income Tax", is replaced with Law no. 03/L-115, dated December 18, 2008 "On Personal Income Tax" promulgated with Decree of President of Republic of Kosovo dated December 30, 2008. This Law entered into force on January 1st, 2009.

Personal Income Tax Rates

Starting from January 1st, 2009, the following rates of personal income tax will be applied on income from employment:

Threshold (annual compensation in Euro)		Income tax
0	960	0%
961	3,000	4% of the amount over EUR 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

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