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

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)

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

Personal income tax

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)**

<table>
<thead>
<tr>
<th>Threshold</th>
<th>0</th>
<th>960</th>
<th>0%</th>
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<tbody>
<tr>
<td></td>
<td>961</td>
<td>3,000</td>
<td>4% of the amount over EUR 960</td>
</tr>
<tr>
<td></td>
<td>3,001</td>
<td>5,400</td>
<td>EUR 81.6 + 8% of the amount over EUR 3,000</td>
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<tr>
<td></td>
<td>5,401 and over</td>
<td></td>
<td>EUR 273.6 + 10% of the amount over EUR 5,400</td>
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For more information contact:

Boga & Associates
Deshmoret e 4 Shkurtit str.
P.O Box 8264
Tirana, ALBANIA
Tel  +355 4 225 1050/225 1022
Fax  +355 4 225 1055
Internet: http://www.bogalaw.com
E-mail: info@bogalaw.com

Boga & Associates
Nene Tereza str.
Enter 30, No. 5
Pristina, KOSOVO
Tel  +381 38 223 152
Fax  +381 38 223 153

Gene Boga - Partner
Alketa Uruçi – Senior Manager
Mirjeta Emini – Senior Manager
Shyqiri Bytyqi - Supervisor

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