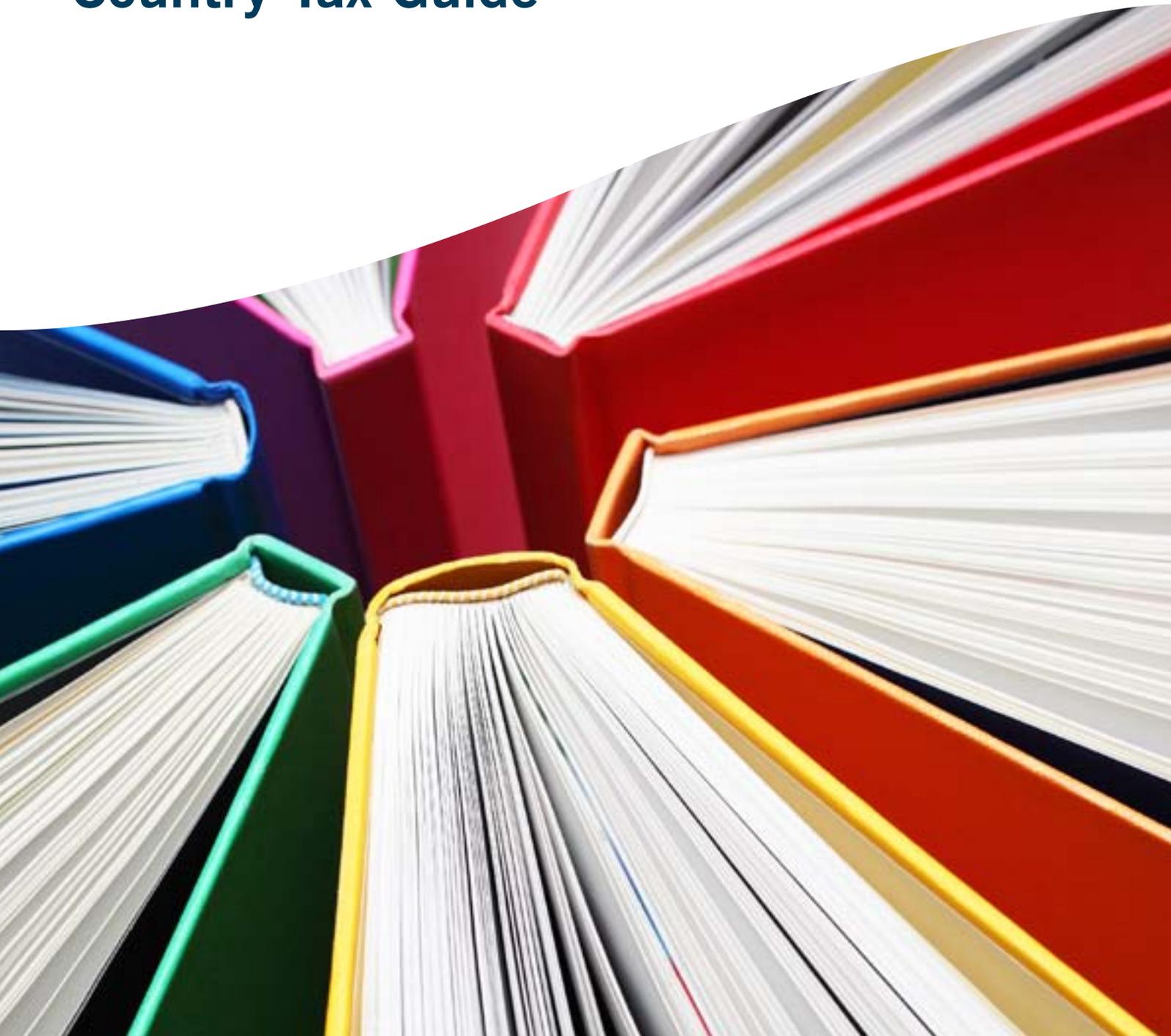


Country Tax Guide





Kosovo

International Tax Contacts

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Facts and figures as presented are correct as at 14 January 2016.

Corporate Income Taxes

Resident taxpayers, who are taxpayers that are established in Kosovo, or whose place of effective management is in Kosovo, are generally subject to tax on their worldwide income.

Non-resident taxpayers are generally subject to tax on their Kosovo source income, subject to the terms of any relevant tax treaty.

The standard corporate income tax rate is 10%. Certain insurance and reinsurance companies that are licensed by the Central Bank of Kosovo are subject to tax at the rate of 5% of gross premiums. Taxpayers whose gross annual income does not exceed EUR50,000 are subject to tax on their gross income unless they choose to be subject to the standard corporate income tax. Such taxpayers are required to make quarterly payments of tax as follows:

- 3% of gross income from trade, transport, agricultural, or similar activities (subject to a minimum payment of EUR37.50)
- 9% of gross income from services, professional, vocational, entertainment, or similar activities (subject to a minimum payment of EUR37.50)
- 10% of gross rent income.

Taxable income must generally include any taxable capital gains.

Dividends are tax exempt.

Unutilised losses can generally be carried forward for up to six consecutive tax years (restrictions may apply in cases of change of business or change of ownership). There are no provisions for the carry back of losses.

Group tax consolidation is not available in Kosovo; consequently losses cannot be offset against the profits of another company in the same group.

The tax year is the calendar year.

Tax returns (with financial statements) are generally due for filing by 31 March of the following year. Taxpayers whose gross annual income does not exceed EUR50,000 are not required to file tax returns unless they choose to be subject to the standard corporate income tax.

Advance payments of corporate income tax are generally payable in respect of each calendar quarter by 15 April, 15 July, 15 October, and 15 January. If the advance payments exceed the eventual tax liability, the taxpayer is entitled to a refund, or may carry forward the excess for offset against future corporate income tax.

Personal Taxes

Resident individuals are generally subject to tax on their worldwide income.

Non-resident individuals are generally subject to tax on their Kosovo source income, subject to the terms of any relevant tax treaty.

Individuals are subject to personal income tax at the following rates (subject to exemptions and deductions):

Taxable Income	Rate
Up to EUR960	0%
Over EUR960 – EUR3,000	4%
Over EUR3,000 – EUR5,400	EUR81.60, plus 8% on the amount exceeding EUR3,000
Over EUR5,400	EUR273.60, plus 10% on the amount exceeding EUR5,400

Taxable income must generally include any taxable capital gains.

Dividends are tax exempt.

Inheritances received by a spouse, child (biological or adopted), or parent of the deceased are tax exempt. For other heirs, inheritances received are tax exempt if the value does not exceed EUR5,000.

Gifts between spouses, gifts between parents and their children (biological or adopted), and gifts for qualifying educational purposes are tax exempt. In other cases, gifts received in excess of EUR5,000 in a tax period are subject to tax.

Employment Related Costs and Taxes

Fringe benefits

There is no separate fringe benefits tax. Unless specifically exempt, the taxable value of benefits-in-kind form part of the taxable income of individuals and are subject to personal income tax.

Social security costs

Employers and employees (payable by the employer on behalf of the employee) are generally required to make pension contributions. The rate for employers is 5% of the total wages of all employees. The rate for employees is 5% of their total wages. Employers and employees may make additional voluntary contributions of up to 10% of salary, resulting in a maximum possible contribution of 15%.

Legislation provides that employers and employees will be subject to mandatory health insurance premiums. The legislated rate is 7% of gross income, which is divided equally between the employer and the employee. An effective date for this contribution has not yet been reported.

Withholding Taxes on Payments Abroad

The rates of withholding tax on the following payments made abroad are generally:

	Rate
Dividends	N/A
Interest	10%; certain interest payments are exempt
Royalties	10%
Rent	9%
Service fees	5%

For payments made to recipients in countries with which Kosovo has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

Value Added Tax (VAT)

VAT is generally levied on the supply of goods and services in Kosovo, and on the importation of goods.

The standard VAT rate is 18%. A reduced rate of 8% applies to certain supplies, including water (excluding bottled water), electricity, certain grains and products made from grains for human consumption, dairy and dairy products for human consumption, textbooks, information technology equipment, medicines, and medical equipment. Certain supplies are VAT exempt without the right to deduct input VAT, including hospital services, medical care, dental services, social services, educational services, newspapers, health and life insurance and reinsurance services, and certain financial services. Other exempt supplies include exports, certain imports, and certain supplies relating to international transport.

The VAT registration threshold is annual turnover exceeding EUR30,000. Traders can apply for VAT registration voluntarily if compulsory registration does not apply.

Registered traders can generally recover the VAT with which they themselves are charged on their purchases of goods and services, subject to conditions and possible exceptions.

Other Taxes

Immovable property tax

Property tax is generally imposed on all immovable property in Kosovo, subject to exemptions. The tax is imposed on the owner or user of immovable property. The tax is based on the market value of the property, and the rates are set each year by municipalities from a range of 0.15% to 1%.

Excise taxes

Excise taxes are imposed on certain goods, including alcohol, alcoholic beverages, coffee, tobacco products, petroleum oils, and passenger transportation motor vehicles.

Other taxes

Other taxes in Kosovo include vehicle road tax, vehicle ecological tax, and hotel and tourist facility accommodation tax.

Tax Incentives for Businesses

Special allowance for new assets

A special allowance of 10% of the acquisition price of certain assets is allowed in the year in which the asset is first put into use. This allowance is in addition to standard depreciation allowances. Qualifying assets include production lines for plant and machinery, locomotives and rolling stock for use in railway transportation, aeroplanes, ships, heavy machines for transport, equipment for the transportation of soil, bulldozers, digging machines, and other heavy machines used for the taxpayer's economic activities.

Country Tax Guides are designed to provide a summary of the taxes which apply to business and individuals, and are for information purposes only. Whilst every effort has been made to ensure accuracy, information contained in these guides may not be comprehensive and is subject to frequent change. Recipients should not act upon it without seeking professional advice. Contacts details for independent members of Baker Tilly International can be found at www.bakertillyinternational.com.

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