

Invest in
Hani i Elezit

A Business
and Investment
Guide for
Hani i Elezit

kk.rks-gov.net/hanielezit





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I. Introduction

This guide aims to inform potential investors, as well as the local business community, on the attractive investment opportunities offered by Hani i Elezit.

The information provided by this guide is of a general nature and, as such, does not necessarily cover every aspect of doing business in Hani i Elezit. This guide should be used only as a summary of some of the key topics that may be of interest to the business community and potential investors.

This guide was implemented by Foundation Kosovo-Luxembourg and drafted by Zagragja & Associates.

The Municipality of Hani i Elezit initiated the development of this guide whereas it financed by the Ministry of Foreign and European Affairs of the Grand Duchy of Luxembourg

July 2016 - Hani i Elezit, Kosovo



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Foreign and European Affairs

Directorate for Development Cooperation
and Humanitarian Affairs

FOUNDATION
KOSOVO
LUXEMBOURG



II. Mayor's Foreword

Dear Investors,

It is my pleasure and privilege to present to you the excellent investment prospects available in our municipality. Due to its proximity to the region's main trade crossroads, Hani i Elezit is of utmost importance to the economy of Kosovo. Most of the capital and infrastructural projects of importance for Kosovo's economic development inevitably include the territory of our municipality. This comparative advantage presents an invaluable opportunity for investors.

The geographic location is ideal for investments in international and domestic trade. Meanwhile, the municipality's favorable climate, cultural heritage, stunning natural landscapes, and the abundance of minerals and other geological materials provide excellent opportunities for investments in expanding already existing industrial facilities, as well as in building entirely new industries.

The enduring success of existing industrial projects, such as the cement manufacturing industrial zone, shows the great economic potential of this municipality, as well as our extensive experience in cooperation with major investors.

The expansion of existing industrial capacities and the creation of new industries is not only important for the economic and social development of our municipality, it is also vital for fostering economic growth in the Republic of Kosovo. Therefore, we consider that it is our duty to turn our municipality's economic potential into reality.

We are convinced that encouraging investment and cooperating closely with the private sector are of utmost importance to achieve our goals. Accordingly, the municipality of Hani i Elezit has consistently developed policies to encourage investment and enable the private sector to thrive. Beginning in 2009, we have lowered municipal taxes on an annual basis, a trend that we expect will continue in the upcoming years.

We are aware that providing the right conditions for doing business is a pre-requisite for harnessing our municipality's economic potential and resources. Therefore, we are fully committed to providing a favorable environment for the private sector. Besides reducing administrative barriers, we focus on developing appropriate policy incentives for new businesses based on best international practices.

We welcome you to our municipality and shall remain committed to providing the ideal conditions for your investments and a healthy private sector in general.

Sincerely,


Rufki Suma,

Mayor, Municipality of Hani i Elezit









Kosovo - Profile

City Center, Han i Elezit
July, 2016

III. Kosovo - Profile

| | |
|----------------------------|--|
| Area | 10,908 km² |
| Population | 1,820,631 |
| Capital | Prishtina |
| Geographic Location | Kosovo is located in the Western Balkans and borders Albania, Macedonia, Montenegro and Serbia |
| Land Use | <ul style="list-style-type: none">• 53 % agricultural• 41 % forests• 1% water• 5% other |
| Ethnic composition | <ul style="list-style-type: none">• 90 % Albanians• 5 % Serbs• 5 % Other |
| Rural and Urban Population | <ul style="list-style-type: none">• 42 % Urban• 58 % Rural |
| Legislation | <p>Kosovo Legislation is compatible with EU Legislation. The legislation in force includes:</p> <ul style="list-style-type: none">• Laws and regulations passed by the Assembly of the Republic of Kosovo• Regulations promulgated by the Special Representative of the Secretary-General during the United Nations Interim Mission in Kosovo• The law in force in Kosovo on March 22, 1989 <p>Every law in Kosovo is also available in English, Albanian, Serbian and can be found in its electronic version at: www.assemblyofkosovo.org</p> |
| Currency | Euro (€) |
| Financial Sector | Two tier banking system consisting of the Central Bank of the Republic of Kosovo, nine private banks, 13 insurance companies, 2 pension systems (public and private), and 17 microfinance institutions. |
| Customs Fees/Duties | <ul style="list-style-type: none">• 10 % customs duties on imports• No duties on capital and intermediary goods, or selective raw materials• Excise tax on fuel, tobacco alcohol and luxury goods• No duties and taxes on exports |
| Tax system | <ul style="list-style-type: none">• VAT 18 %• Corporate Income Tax 10 %• Tax on dividends 0%• Personal Income Tax is progressive (max. 10%) |
| Free trade | <ul style="list-style-type: none">• Custom-free access to EU market based on the EU Autonomous Trade Preference (ATP) Regime• Central European Free Trade Agreement - CEFTA• Preferential treatment of exported goods to the US, Japan, and Norway |
| Labor market | <ul style="list-style-type: none">• Monthly average wage was approximately 364 Euros in 2013 for a skilled and well educated work force |
| Communication | <ul style="list-style-type: none">• Kosovo's GSM providers are Vala, IPKO, D3 and Z-Mobile, and roaming is offered by the majority of international telephone service providers• Approximately 72% household internet coverage |

Map of Kosovo



| | | |
|--|--------------|--------|
| | Skopje | 87 km |
| | Tirana | 265 km |
| | Sofia | 279 km |
| | Durres | 290 km |
| | Thessaloniki | 312 km |
| | Belgrade | 355 km |
| | Sarajevo | 390 km |
| | Bari | 570 km |
| | Zagreb | 741 km |
| | Budapest | 747 km |

Travel distance from Prishtina to Other Regional Centers, in kilometers (km).

Why invest in Kosovo and Hani i Elezit

Young, educated and dynamic population

Kosovo has the youngest population in Europe, with 70% of population under the age of 35. The percentage of Kosovan youth who speak English is higher than the average of the other countries in the region.

They are also known for their entrepreneurial spirit, education and work enthusiasm.

Free Trade Regime

Kosovo is part of CEFTA since 2007 and also benefits from the Autonomous Trade Preferences (ATP) with the EU and duty-free trade with the US, as well as from trade links with Japan and Norway. On October 2015, Kosovo signed the Stabilization and Association agreement with the EU.

Strategic location

Because of its unique geographic loca-

tion, Kosovo has access to the growing Balkans and Central European markets. These markets consist of millions of potential customers. Due to its central location within the Balkans, Kosovo serves as a crossing bridge between South Eastern European countries.

Low operating cost- skilled workforce

Low operating costs constitute one of the main advantages of Kosovo's labour market. The average monthly wage in Kosovo is approximately € 360, which makes it the most competitive labour force within Europe. Additionally, numerous professional training centers have recently been established by both domestic and international organizations. In addition to employees, employers too can benefit from these training centers.

Modern Telecommunications

The telecommunication systems

offered in Kosovo are of the same quality as those offered in other European countries. Telecommunication service providers continuously invest in new technologies and offer services such as GPRS, 3G, 4G, VoIP and so forth. Internet services offered in Kosovo are also of very high quality. Internet penetration covers most of Kosovo's population, and internet usage in Kosovo is one of the highest in Europe.

Great investment opportunities

Given its vast human and natural resources, Kosovo offers great investment opportunities in a wide range of sectors.

Potential foreign investors have the opportunity to invest in some of the most promising sectors in Kosovo including agriculture, food processing, construction, textile, IT, energy and mines.





Hani i Elezit - Profile

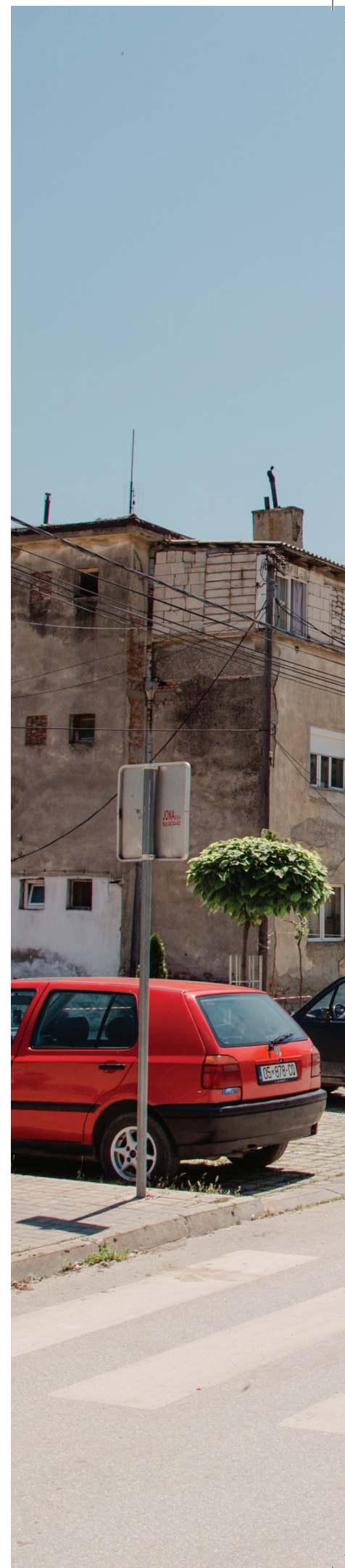
City View, Hani i Elezit
July, 2016

IV. Hani i Elezit - Profile

Hani i Elezit is located in southeast Kosovo, at the border between Kosovo and Macedonia. The territory of the municipality covers an area of 83 km², and, in addition to the town, includes 10 surrounding villages. The municipality is surrounded by the Sharr Mountains in the west, Karadak Mountains in the east, the Lepenc river valley in the north, and the Republic of Macedonia in the south. According to the 2011 census, the total population of the municipality was 9,403. The municipality is distinguished by warm air currents flowing from the south, through the Vardar valley. This provides a superb climate for agriculture, more favorable than in other regions in Kosovo. As a result, agricultural products from Hani i Elezit are already available in early spring. In fact, agricultural products cultivated here are usually the first market ready agricultural products in Kosovo. The municipality's most important natural resource is unquestionably the

Lepenc River, which is the main stem of other Kosovo water streams flowing to the Aegean Sea. In addition to its importance for the irrigation of agricultural lands, the river enables the proper functioning of industrial activities - serving as industrial water.

The municipality's location at the border with Macedonia enables access to the main Balkan trade crossroads. Consequently, Hani i Elezit is suitable for business activities related to the transport of goods, people, as well as other services related to the customs terminal. As a result, the activity of many small businesses in this municipality gravitates towards trade related services. In addition to benefiting from its favorable location, the economic life of Hani i Elezit also benefits substantially from the industrial sector. Hani i Elezit is known for its cement manufacturing industrial zone as well as for being an area rich in minerals and other geological elements.







A low-angle photograph looking up at a tree with green leaves and a wooden pole against a clear blue sky. The text is overlaid in the bottom right corner.

Investment Opportunities

Children in Nature, Hani i Elezit
July, 2016

V. Investment Opportunities

Agriculture

The mild continental climate, with warm currents of air flowing from the Vardar valley, allows Hani i Elezit's agricultural products to be the first market ready agricultural products in Kosovo. This is a significant competitive advantage compared to domestic products from Kosovo's other regions.

The municipality of Hani i Elezit is proactive in stimulating the agriculture and livestock sector in Kosovo. The high quality of arable land, easy access to irrigation systems, as well as the quality meadows and pastures provide sufficient capacity for this sector to be key to the municipality's economic growth. Due to the cooperation and mutual trust that the municipality of Hani i Elezit has built over the years with relevant local and international institutions, potential investors in our municipality have direct access to incentive programs for this sector.

Table I: Agricultural land in the municipality of Hani i Elezit

| | |
|--------------|--------------------|
| Fields | 983.85 HA |
| Gardens | 2.32 HA |
| Orchards | 13.50 HA |
| Vineyards | 3.33 HA |
| Meadow | 230.15 HA |
| Grasses | 1,693.24 HA |
| Woods | 4,848.56 HA |
| Infertile | 519.39 HA |
| Total | 8,294.37 HA |

The potential for agricultural and livestock products is not limited to the local market. Given the geographical proximity to the city of Skopje, the products of Hani i Elezit provide very short delivery times, ensuring that fresh products are also placed in the regional markets, the Skopje market in particular.

Cultural tourism

Archeological Relics

Even in antiquity, the territory of Hani i Elezit has served as a link between important economic centers such as Scupi and Ulpiana. Consequently, the first settlements in this area date back to the beginning of the new era.

This is proven by the fact that almost in every village in the municipality there are numerous relics (roman coins, tiles,

jars, sewers) from that period. Some of the most important archeological discoveries include the ancient plate in the village Paldenica, dating back to the II-III century A.D. Furthermore, the castle and old church remains discovered in the Cape of Hisar, located in the village Rezhanca, are discoveries that definitively require further archeological research.

Numerous other archeological relics have been found throughout the region, which proves that with proper archeological research, the area has a high potential for cultural tourism.

Autochthonous Architecture

Apart from ancient relics, the village Puset e Nikës plays a special role in the cultural heritage of Hani i Elezit. The distinctive characteristics of this village are the stone houses, representing indigenous architectural Albanian traditions.



Mountain Tourism

Besides agricultural and industrial lands, Hani i Elezit's territory includes forest massifs as well, namely the forest massif of Karadak of Skopje and that of Sharr Mountains. Forests account for about 55% of the municipality's total area. The landscapes in the Sharr Mountains and the Karadak mountains offer a unique natural asset with high potential for tourism. With improvements in infrastructure, whether via municipal funds, or through public-private partnerships, mountain tourism in Hani i Elezit can serve as one of the drivers of the municipality's overall economic development. Given the geographical position of Hani i Elezit, it is clear that investments in tourism have high potential for local and regional market costumers.

Natural resources

Hani i Elezit's most valuable assets are its underground resources. Heavy industries have already developed around its natural resources. A good example is the cement factory "Sharr Cem", which has been operating since 1936 and continues to function after privatization.

Given the abundant resources of Hani i Elezit, there is great potential for expanding the existing capacities of the industrial area around the cement plant "Sharr Cem", as well as for building entirely new industries.

It is estimated that there are around 39,423,290.00 tons of clay in Hani i Elezit and 26,392,460.00 tons of clay in the village Paldenica.

Besides clay, the surrounding villages are rich in the following:

- Limestone in the villages of Secishte and Rezhance
- Decorative stones in the village of Dremjak
- Marble and Limestone in the village of Kashane
- Chrome in the villages Rezhance, Gurane and Krivenik
- Iron in the village of Lac

Hani i Elezit is also rich in mineral water. According to the Meteorological Institute of Kosovo, mineral water springs in Hani i Elezit possess therapeutic properties.

Given the long history of success and the profitability of heavy industries in this area, investments in natural resource exploitation and the creation of new industries present profitable opportunities for investors. The municipality of Hani i Elezit uses all of its institutional potential to facilitate investments and provide an environment where doing business in this sector guarantees success.





A man with a mustache, wearing a camouflage-patterned button-down shirt and dark trousers, is smiling and looking down at a coiled rope he is holding. He is standing outdoors on a dirt path, with lush green trees and a blue sky with white clouds in the background. The rope is light-colored and coiled in his hands, with a red rope also visible. The overall scene is bright and sunny.

Investment Incentives

A cattleman, Hani i Elezit
July, 2016

VI. Investment Incentives

The main advantage provided by Hani i Elezit in terms of logistics and operations is no doubt its geographic location.

As a municipality that borders with Macedonia, but also offers a quick access to the highway connecting Kosovo with Albanian harbors, as well as with other countries, businesses operating in Hani i Elezit have the fastest access to the main trade routes in the region.

Consequently, large infrastructure projects related to the international trade of goods necessarily pass through the territory of Hani i Elezit.

Moreover, the Hani i Elezit train station is foreseen to be the central train station of Kosovo's railway system. Thus, this municipality is ideal for investments in manufacturing as well as trading activities, where direct and quick access to the main trade roads is necessary.

Despite the geographical advantage, the municipality of Hani i Elezit is fully committed to provide a favorable environment for doing business.

This includes providing appropriate incentive policies, ensuring fair competition, reducing administrative barriers and providing continuous support for existing businesses.

Hani i Elezit Customs Branch

Hani i Elezit Customs is the branch with the highest flow of passengers, cars and trucks in Kosovo.

Within the customs branch of Hani i Elezit, the Customs Terminal operating there is the largest in Kosovo. Approximately 60% of all goods that are imported and perform customs procedures in Kosovo pass through the customs branch of Hani i Elezit. All auxiliary customs agencies are also part of this terminal.

Road - Rail Infrastructure

Pristina-Skopje Highway

The most significant infrastructure projects pertaining to the trading sector pass through the territory of the municipality. This includes the Pristina - Skopje highway, which is under construction. Besides shortening the travel distance from Hani i Elezit to other major cities in the region, the construction of this highway will also be accompanied by an increased flux of passengers and goods.

Train Station

The highest volume of unloading imported goods in Kosovo occurs in the Hani i Elezit Train Station. Hence, it is actually the most important point of the Kosovo railway system. The rehabilitation of the railway system in Kosovo project foresees that all customs services, police control, freight-forwarding services, unloading and loading of goods, up to the distribution of goods throughout Kosovo will be carried out in Hani i Elezit. Until then, these activities are carried out at other points throughout Kosovo.

Institutional Support for the Development of the Private Sector

Facilitating Policies

Beginning in year 2009, the municipality of Hani i Elezit has consistently lowered municipal tax rates. This practice will continue in order to create a suitable environment for doing business. Currently, the municipal tax exemptions are granted as follows:

- Newly formed businesses are exempt from municipal taxes for two years
- Businesses led by women are exempt from municipal taxes for four years
- Businesses that employ up to ten employees are exempt from municipal taxes for three years
- Businesses that employ more than ten employees are exempt from municipal taxes for five years

Removing barriers for the private sector

- **Business Registration Center** - The business registration center was opened in 2014, with the purpose of accelerating the process of opening new businesses
- **Investment and Business Support Office** - As part of the municipality's commitment to ease doing business, the office for investment and support of businesses was opened in cooperation with the Foundation Kosovo - Luxembourg. The purpose of this project is to assist investors with administrative procedures as well as the provision of advisory and relevant information on investment opportunities.
- **Training** - In collaboration with the laboratory for commercial activities "LAB", the municipality of Hani i Elezit organizes trainings for farmers locally and abroad.
- **Access to information** - Businesses are informed on any public procurement activity through the public municipal website. In addition, the municipality regularly organizes public debates in which the propositions of businesses are always given important consideration.







Establishing a Business

Agricultural land, Hani i Elezit
July, 2016

VII. Establishing a Business

Law No. 03/L-123 on Business Organizations, and the additional corresponding legislation, enable the establishment of the following:

Individual Businesses

With individual businesses, the owner has unlimited responsibility for all debts of the organization. The organization has an official name or it includes the lawful surname of the owner, and it includes the acronym "B.I."

General Partnership

With general partnership all partners are responsible without limitation and with solidarity for debts of the organization. The collective organization has one name which may include the name of one of the partners, by putting immediately after it the acronym "O.P."

Limited Partnership

With partnerships, except for "unlimited" partners (partners who are responsible without limitations and with solidarity for debts of the company) also participate the "limited" partners or those partners who are responsible for the obligations of the company to the limit of the value of their contributions in the charter capital. Partnership has a name, in which it can be included the name of one or more partners, by putting immediately after it the acronym "SH.K.M."

Limited Liability Company

Limited Liabilities Companies are those organizations established by one or more founders, who are responsible only to the level of their contribu-

tion and all assets. Limited Liability Company has one name by putting immediately after it the acronym "SH.PK.". Kosovo Business Registration Agency (KBRA) may register a limited liabilities company without the need to provide proves for payment of the capital.

Joint Stock company

Joint Stock Companies are those organizations whose capital is divided in shares and the shareholders are responsible only to the level of the value of their contribution. The organization can be established and have one or more shareholders. It has one name behind which is placed the acronym "SH.A.". The amount of the charter capital for these organizations is at least 10.000 Euro.

Foreign companies

The foreign company is a business organization and from the moment of registration is considered as a branch in Kosovo that does not have the identity of a legal person. After registration it enjoys all rights and obligations established based on the applicable law. After the name it shall be written "DEGA NË KOSOVË" ("KOSOVO BRANCH")

Social enterprises

Socially owned enterprise means a legal person most of whose assets and capital are socially owned. These enterprises until privatised are monitored and registered by the Kosovo Privatization Agency according to Law No. 02/L-123 on Business Organizations.

Public enterprises

Public enterprise is an enterprise that performs activities of general interest, which is established by the state. Public enterprise is monitored by the Government and is organized as Joint Stock Company in accordance with applicable Law on Business Organizations.

All property interests in a public enterprise will be represented with shares and all these shares must be registered.

Agricultural cooperatives

Agricultural cooperative is a business organization created by natural or legal persons all of which should be farmers who contribute with their own private property in the shared capital. Agricultural cooperative is established by at least five (5) farmers that are signatories of obligations. The cooperative shall not be established without capital and it shall not exist without capital.

The capital is divided on shares of even value with a minimal value of 10 Euro. The director may not be member of the cooperative. All these can be seen in Law No. 2003/9 on Agricultural Cooperatives and Law No. 03/L-004 on Amending and Supplementing Law on Agricultural Cooperatives Nr-2003/9. Businesses that operate in Kosovo have to register in the Kosovo Business Registration Agency (KBRA). Among others, services that are offered by KBRA include:

- New business registration;
- Business information changes;
- Business closing procedures;
- Issuance of registration certificates

- with fiscal number, VAT certificates, export-import certificates;
- Information and forms

Registering a Business

An application for registration can be submitted at any of the municipal centers of KBRA. There are 22 municipal centers, with the main office of KBRA being in Prishtina. All business and trademarks can be found in the registry of businesses, organizations and trademarks. Basic information on companies can be found in the KBRA's web-site:

<http://www.arbk.org/en/>

The list of accompanying documents for registration of businesses:

1. Completion of form B;
2. Identification document (ID, Passport);
3. Consent of the registered agent based on Article 27.1, section d) of Law No. 02/L-123;
4. For general partnership, the agreement of general partners based on Article 29 of Law No. 02/L-123
5. The timeline for registration of individual business and general partnership at KBRA is 1 day.

The list of accompanying documents for registration of a Limited Partnership (sh.k.m.)

1. Completion of form Ao;
2. The agreement of the organization based on Article 31.1 of Law No. 02/L-123;
3. The Statute;
4. Identification document (ID, Passport), copies of owners, authorized persons involved in business;
5. Consent of the registered (domestic) agent based on Article 31.2 of Law No.02/L-123.

The list of accompanying documents for registration of a Limited Liability Company(L.L.C.).

1. Completion of form Ao;
2. The agreement of the organization based on Article 86 of Law No. 02/L-123;
3. The Statute based on Article 85 of Law No. 02/L - 123;
4. Copies of owners' and authorized persons' identification document (ID,passport);
5. Consent of the registered agent based on Article 33.2 of Law No. 02/L-123.
6. The timeline for completion of registration of Limited Liability Companies or Joint Stock Companies at KBRA is 3 days.

The list of accompanying documents for registration of a Joint Stock Company(J.S.C.)

1. Completion of form Ao;
2. The Statute based on Article 35.1 of Law No. 02/L - 123;
3. The agreement of the organization;
4. Consent of the registered agent based on Article 35.3 of Law No. 02/L-123;
5. Copies of owners' and authorized persons' identification document (ID,passport).

The list of accompanying documents for registration of a foreign company-Branch

- Completion of form Ao;
- Decision for opening of foreign company;
- Decision for appointment of the Director (copy of Passport) and the registered Agent (copy of ID);
- Court decision of the respective country that the business exists (Notarized)
- Business certificate (original nota-

rized copies, not older than three months from the date of issuance, and if not in Albanian, Serbian or English, to be translated in one of these three languages, and the translation must be notarized) which is opening the representation in Kosovo;

- Copy of Passports of the owner and of the director of the foreign company;
- Copy of the Statute of the foreign company;
- Consent of the registered agent based on Article 23 of Law No. 02/L-123.

Note: If the owner of the business is not present when the documents are submitted, then the applicant may submit the documents with authorization and copy of ID.

The list of accompanying documents for registration of an Agricultural Cooperative

1. Completion of form Ko;
2. Agreement of the organization;
3. The Statute;
4. Decision for the appointment of the director;
5. Copies of owners' and authorized persons' identification document (ID,passport);
6. Consent of the registered agent based on Article 23 of Law No. 02/L-123.



A full-page photograph of a middle-aged man with short dark hair, smiling at the camera. He is wearing a brown and white plaid shirt under dark blue suspenders. He is leaning his arms on a rustic wooden fence made of vertical slats. The background shows a dry, grassy field with scattered trees and distant hills under a bright, cloudy sky.

Taxation and other relevant legislation

A farmer working the land, Hani Elezit,
July, 2016

VIII. Taxation and other relevant legislation

Foreign investments

According to Law No. 03/L-33, Kosovo has an obligation to offer an equal and fair treatment to foreign investors and their investments. Kosovo also offers continuous protection and security to investors.

Any public authority that fails or does not respect the rights and guarantees that are provided by this law is liable for paying an amount equal to the damages caused by their actions.

This law protects investors and their investments from the nationalization of their investments or assets.

In particular, the rights that are offered by this law include, but are not limited to:

- Non-discriminating treatment;
- Continuous protection and security;
- Reimbursement in case of nationalization or expropriation, including interest payments;
- Reimbursement in case of violation of domestic or international law on Kosovo;
- Free circulation and unlimited usage of income;
- Protection from a retroactive application of laws.

Bilateral Agreements

The Government of Kosovo has signed several bilateral Agreements regarding investment promotion and protection with countries such as: USA (OPIC), Austria, Turkey, Albania, Belgium, Luxembourg, Macedonia, Croatia, Montenegro, Kuwait, and Qatar.

Corporate Income Tax

Law No. 05/L-029, which is effective as of September 1, 2015, establishes the system of Corporate Income Tax in the territory of Republic of Kosovo.

The standard Corporate Income Tax rate in Kosovo is ten percent (10%) of the taxable income, which means the difference between gross income of the tax period and the allowable deductions and allowances with respect to such gross income.

Corporations with an annual gross income of fifty thousand (50.000) € or less may choose to be taxed based on their revenues:

- Three percent (3%) of gross income from trade, transport, agricultural and similar commercial activities;
- Five percent (5%) of gross income from services, professional, vocational, entertainment and similar activities;
- Ten percent (10%) of net rental income, reduced by any amount withheld during a quarter.

If such corporations do not earn any income in a given quarter no payment is required.

Nonetheless, such corporations may voluntarily choose to be taxed on 10% of their taxable income and not based on their revenues.

Exempt Income

The following income is exempt from corporate income tax:

- Dividends;
- Income of non-governmental organizations;
- Income of the Central Bank of Kosovo

and international governmental finance institutions;

- Interest from financial instruments issued by the Central Bank of Kosovo;
- Income of primary contractors or sub-contractors (except for local persons) with respect to contracts with some inter-governmental organizations;
- Income earned from grants, subsidies and donations.

Allowable and Unallowable Expenses

In determining the taxable income, allowable expenses for tax purposes will be considered only those that were paid or incurred during the tax period wholly and exclusively in connection with a taxpayer's economic activity.

The following expenses are considered not allowable for tax purposes:

- Cost of acquisition and improvement of land;
- Cost of acquisition, improvement, renewal and reconstruction of assets that are capitalized, depreciated or amortized under the provisions of the present Law;
- Fines, penalties, costs and interest related to them;
- Income taxes;
- Value added tax for which the taxpayer claims a rebate or credit for input tax.
- Corporate Income Tax Law determines deductibility limitations for the following expenses:
- Humanitarian contributions up to 10% of the taxable income, calculated prior to the deduction of charitable contributions;
- The maximum amount allowable for representation expenses shall not

- exceed 1% of the yearly gross income;
- Payments for a related person, up to the open market value for such payment.

Depreciation

Expenditures on tangible property, other than expenditures for land and other property, which are not subject to wear, shall be recovered over time by depreciation deductions.

- Category 1: Buildings and other constructed structures are depreciated by 5%;
- Category 2: Automobiles and other transport vehicles, computers and peripherals and other data processing equipment, office furniture and office equipment, instruments, sundries and other accessories; and livestock used for production or breeding are depreciated by 20%;
- Category 3: Plant and machinery; rolling stock and locomotives used for rail transport; airplanes; ships; perennial plants and trees used for viniculture or production of fruits (such as apples, pears, walnuts, blue-berries, etc.); and all other tangible assets not included in Category 1 or Category 2 shall - are depreciated by 10%.

Amortization

Expenditures on intangible assets are deductible in the form of amortization charges. The method of amortization shall be the straight-line method and the allowance shall be based on the useful life of the asset. If the useful life of the intangible asset is not determined, amortization expenses are allowed up

to 20 years.

Tax Loss Carryforward

Tax and capital losses may be carried forward up to 6 years and shall be available as a deduction against any income in those years.

Special Allowance for New Assets

The new CIT law provides a special allowance of 10% for the purchase of new assets or assets put into use in Kosovo for the first time

Double Tax Treaties

Currently, Kosovo has signed the agreement on double taxation avoidance with the following countries:

- Belgium;
- Hungary;
- Macedonia;
- Albania (effective as of January 1st 2016);
- Slovenia;
- Great Britain;
- Turkey

Kosovo has also inherited some of the agreements for double taxation avoidance from the former-Yugoslavia with the following countries:

- Germany;
- Finland;
- Netherlands.

Personal Income tax

Law No. 053/L-028, which is effective as of September 1, 2015, regulates the personal income taxation system in Kosovo.

Gross income for Personal Income Tax purposes include income from the

following sources:

- Wages;
- Rent;
- The use of intangible property;
- Interest, except for interest which is exempted;
- Capital Gains;
- Per diems;
- Pensions paid by a previous employer;
- Economic Activity.

| Monthly Income | Tax Rates (progressive) |
|----------------|-------------------------|
| Euro 0 - 80 | 0% |
| Euro 81 - 250 | 4% |
| Euro 251 - 450 | 8% |
| Euro 450+ | 10% |

| Yearly Income | Tax Rates (progressive) |
|------------------|--|
| Euro 0 - 960 | 0% |
| Euro 961 - 3000 | 4% of the amount above Euro 960 |
| Euro 3001 - 5400 | Euro 81.6 + 8% of the amount above Euro 3000 |
| Euro 5401+ | Euro 273.6 + 10% of the amount above Euro 5400 |

Value Added Tax

Law No. 05/L-037 establishes the Value Added Tax (VAT) system in the Republic of Kosovo. A person is required to register for VAT if such person carries on economic activities, and within a calendar year exceeds the threshold of 30,000 EUR. The mentioned threshold does not apply for persons not established in Kosovo, where the reverse charge procedures are usually applicable.

Standard VAT rate

Based on the actual VAT Law, VAT is charged at the standard rate of 18%. A reduced VAT rate of 8% applies to the import and supply of the following goods and/or services:

- Supply with water, electricity, central heating, waste collection services etc.;
- Grains and products made from grains, cooking oils, dairy and dairy

products, eggs and salt;

- Textbooks and serial publications;
- Information technology equipment
- Supply of medicines, pharmaceutical products, instruments, medical and surgical devices

Exemptions without the right of deduction of input VAT

The actual VAT law determines some transactions that are exempted from VAT. These transactions include exemptions for certain activities in the public interest, such as:

- Hospital services and medical care;
- The provision of medical care;
- The supply of services and of goods closely linked to welfare and social security work;
- School and university education.
- Some additional transactions which are exempted from VAT, without the

right to deduct input VAT include:

- Insurance and re-insurance transactions;
- Transactions related to the granting and the management of credit;
- The management of certain investment funds.
- Exemptions with the right of deduction of input VAT
- Kosovo VAT law provides that the following supplies be exempted from VAT, with the right of deduction of input VAT:
- Exports
- Supplies under diplomatic arrangements;
- Supplies made to certain international organizations;
- Supplies financed by income from donations;
- Supplies for certain international inter-governmental organizations.



Deduction of input VAT

A taxable person has the right to deduct input VAT on purchases of goods and services, from his VAT liability.

VAT reimbursement

The actual VAT law enables that the excess VAT credit be carried in the subsequent tax period. Alternatively, a taxable person with an excess VAT credit balance may request that such VAT credit be reimbursed.

The request for reimbursement of VAT is subject to certain procedures. A taxable person may request the reimbursement of VAT if at the end of the quarter the following conditions are met:

- The amount of VAT credit exceeds the amount of 3,000EUR;
- Such taxable person was in credit situation at the end of each VAT tax

period;

- All VAT statements and other tax statements for all previous tax period are submitted.

Withholding Tax

- Kosovo Tax Legislation requires that tax at source be with-held with respect to the following payments:
- Royalty payments - tax to be with-held at the rate of 10%;
- Rent payments - tax to be withheld at the rate of 9%;
- Interest payments - tax to be with-held at the rate of 10%;
- Payments to non-business natural persons, farmers, agriculturists, collectors of recycled materials, fruits, plants and similar - tax to be withheld at the rate of 3 %.

Income of a non-resident person earned from services performed in

Kosovo shall be subject to withholding by the payer of the income at five percent (5%) of the gross compensation.

Accounting, financial reporting and auditing standards

Law No. 04/L-014 on Accounting, Financial Reporting and Auditing establishes the system for accounting and financial reporting for business organizations. Business organizations for financial reporting purposes are classified as follows:

- Large business organizations;
- Medium business organizations;
- Small business organizations;
- Micro-enterprises.

Large business organizations are automatically required to apply the International Financial Reporting Standards issued by the International Accounting Standards Board.



Customs System

Law No. 2003/03 - L/109 on Customs Duties and Excise establishes the system for custom duties and other applicable customs taxes in the territory of Kosovo.

- The law foresees a 10% tax on imports, whereas exports are exempted from the tax.

Exemptions on importation include the importation of unprocessed materials, certain capital and intermediary goods, and pharmaceutical products.

- An excise tax which ranges between 10% and 50% of the value of the particular imported goods is also foreseen bylaw. The excise tax is applicable to certain products such as: soft drinks, beer, wine, alcoholic beverages, tobacco, oil, gasoline for motor vehicles, and kerosene.

Employment Relationship

Law No. 03/L2012 on Labour regulates the rights and obligations deriving from employment relationship within Kosovo. This law is based on the Conventions of the International Labour Organization, European Union Legislation and the fundamental principles of free labour market and economy.

This law is applicable for employees and employers both for the public and private sectors.

Among other things, the law on labour determines the following:

- Retirement age, which is 65 years;
- Full time working schedule, which is 40 hours a week;
- Each year, an employee has the right to a paid vacation, for at least 4 weeks;
- Female employees have the right to a 12 month maternity leave;
- An employee has the right to a sick leave up to 20 working days within a year;
- An employer may terminate the employment contract only if the notice period as duly foreseen by law is respected.









Important Links

Customs point, Hani i Elezit
July, 2016

IX. Important Links

Hani i Elezit

Webpage: kk.rks-gov.net/hanielezit/
Adress: Rr. Nuri Bushi, 71510, Hani i Elezit

Mayor's Office

Tel: +381 (0)290 385 100

Kosovo Institutions

Assembly of Kosovo

kuvendikosoves.org

Prime Minister's Office

kryeministri-ks.net

Ministry of Trade and Industry

mti-ks.org

Ministry of Economic Development

mzhe-ks.net

Ministry of Finance

mf.rks-gov.net

Ministry of Agriculture, Forestry and Rural Development

mbpzhr-ks.net

Ministry of Labour and Social Welfare

mpms.rks-gov.net

Ministry of Infrastructure

mi-ks.net

Ministry of Environment and Spatial Planning

mmph-rks.org

Tax Administration of Kosovo

atk-ks.org

Central Bank of the Republic of Kosovo

bqk-kos.org

Kosova Business Registration Agency

arbk.org/en

Privatisation Agency of Kosovo

pak-ks.org

Kosovo Agency of Statistics

ask.rks-gov.net/eng

Kosovo Customs

dogana.rks-gov.net

Society of Certified Accountants and Auditors of Kosovo

scaak-ks.org

Kosovo Pension Savings Trust

trusti.org

Banks

Raiffeisen Bank

Address: St. UCK 51, 10000 Prishtina
Tel.: +381 (0)38 226 400, 401
Fax: +381 (0)38 226 408
Web: raiffeisen-kosovo.com
E-mail: info@raiffeisen-kosovo.com

NLB Banka

Address: St. 5 Rexhep Luci 10000 Prishtina
Tel.: +381 (0)38 246 180
Fax: +381 (0)38 246 189
Web: nlbprishtina-kos.com
E-mail: info@nlbprishtina-kos.com

ProCredit Bank

Address: St. Nëna Terezë No. 16, 10000 Prishtina
Tel.: +381 (38) 555 555
Fax: +381 (38) 248 777
Web: procreditbank-kos.com
E-mail: info@procreditbank-kos.com

Banka Ekonomike

Address: Qafa, No.5/A 10000 Prishtina
Tel.: +381 (0)38 22 53 53
Fax: +381 (0)38 22 54 54
Web: bekonomike.com
E-mail: bek@bekonomike.com

BPB

Address: St. UCK, No. 4110000 Prishtina
Tel.: +381 (0)38 244 666
Fax: +381 (0)38 243 656, 657
Web: bpb-bank.com
E-mail: hq@bpb-bank.com

BKT

Address: Qyteza Pejton No.9 10000 Prishtina
Tel.: +381 (0)38 222 910
Fax: +381 (0)38 222 907
Web: bkt.com.al
E-mail: infoBktKosova@bkt.com.al

Institutions that support businesses:

Kosovo Investment and Enterprise Support Agency (KIESA)

Address: 3 - 5 Perandori Justinian
Qyteza Pejton, 10000 Prishtina
Tel./Fax: +381(0)38 200 36041
Web: invest-ks.org
Email: info@invest-ks.org

Economic Initiative for Kosovo (ECIKS)

Address: 20/23 Nussdorfer Strasse
A-1090 Vienna, Austria
Tel.: +43 (0)1 890 50 26
Fax: +43 (0)1 890 50 26 26
Web: eciks.org

Kosova Chamber of Commerce

Address: St Nena Tereza 20 Prishtina
Tel.: +381 (0)38 524 741
Fax: +381 (0)38 23 397
Web: oek-kcc.org

World Bank

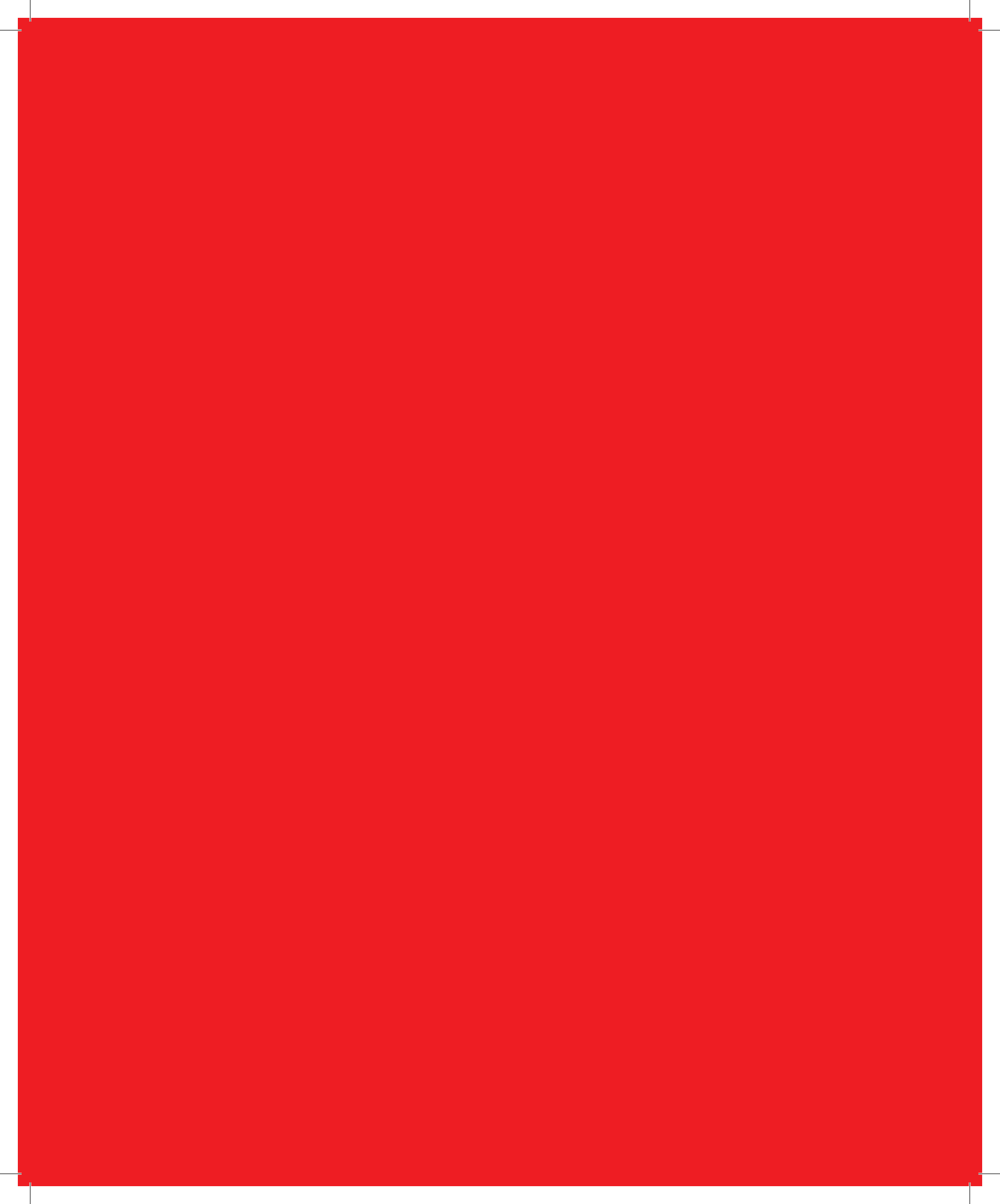
Address: Prishtinë - Fushë Kosovë
10060 Prishtina
Tel: +381-38-224-454
Web: worldbank.org/kosovo

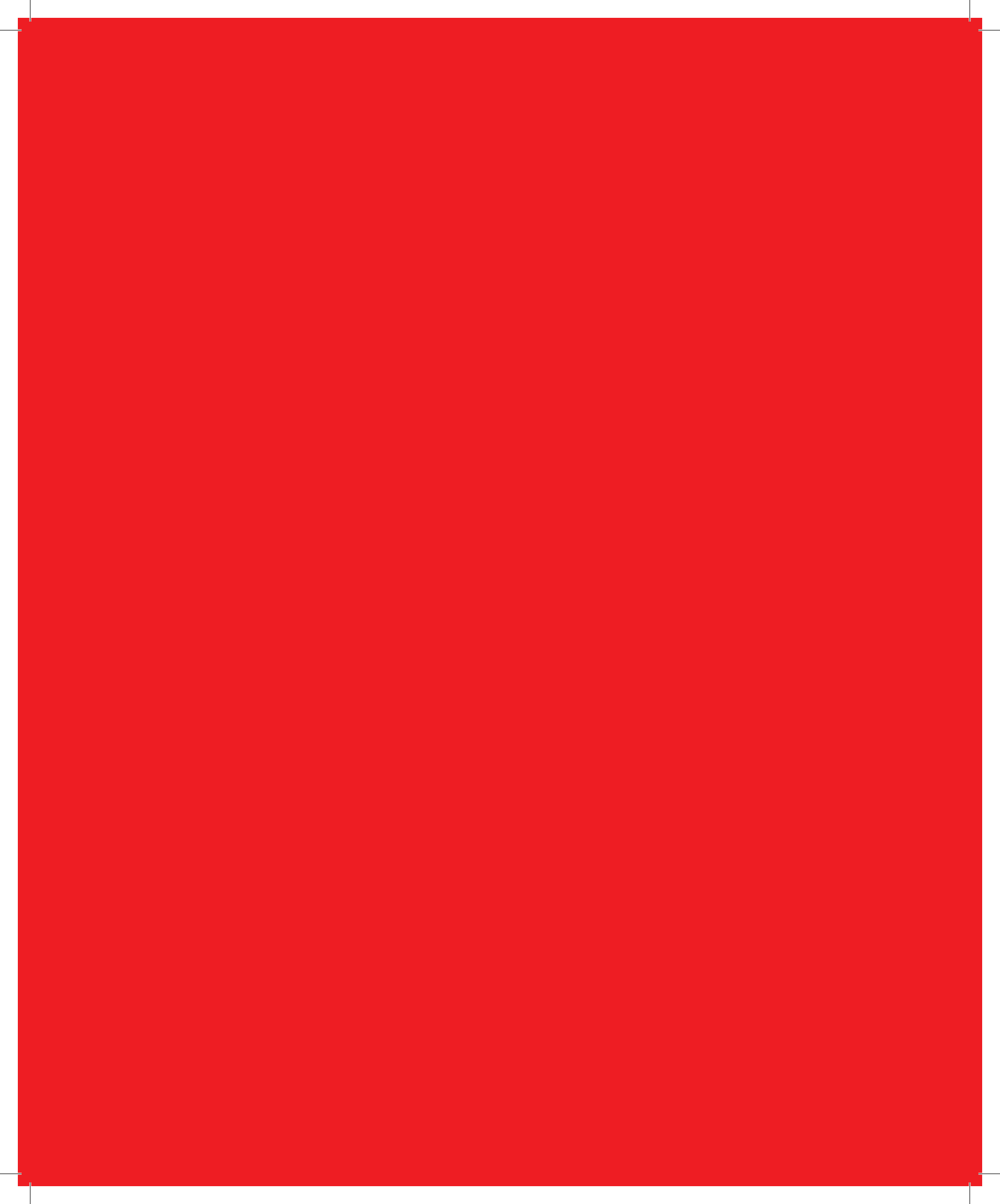
The American Chamber of Commerce in Kosovo

Address: 6 Gustav Majer
10000 Prishtina
Tel: +381 (0)38 246 012
Fax: +381 (0)38 248 012
Web: amchamksv.org
Email: info@amchamksv.org











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