



BOGA & ASSOCIATES

LEGAL • TAX • ACCOUNTING

Investment in Kosovo

2010

May edition

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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 and should not be construed as providing legal advice. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. 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.

Preface

Dear reader,

This publication presents an overview of matters to be considered by those thinking of investing or doing business in Kosovo. The information presented in this publication has been carefully researched, and all efforts have been taken to ensure the information is correct and reflects the current situation as of May 2010 unless otherwise stated.

Investment in Kosovo offers a brief look into the history and development of the political, economic and social structures of Kosovo. The newest state in Europe has been gifted with enviable human and natural resources, from minerals to fertile agriculture land, from a young and dynamic labour force to a favorable central location in the region. Combination of these assets demonstrates the overwhelming potential for investors and will for certain contribute to the growth of the Kosovo economy.

Due to the continuous growth and constant change in Kosovo it is important to obtain further information before concluding any decisions regarding investments. We would appreciate the opportunity to assist you in planning and implementing your investment in Kosovo.

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Chapter 1

General Information

Geography and Climate

Kosovo, the newest state worldwide is situated in the central part of the Balkan. In the Southwest, it is bordered by Albania, in the West by Montenegro, in the North by Serbia and in the East and Southeast by 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 297 m White Drin River (Drini i Bardhë), at the border to Albania. The country rises up to the highest point in the South of Kosovo – Djeravicë at 2,565 m.

The Bjeshkët e Nemuna or Albanian Alps divide Kosovo from Albania in the south-west 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 - the Rrafshi i Dukagjinit basin in the western part, and the Fushë Kosovë plain in the eastern part. Drini i Bardhë 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 +35° C in summer, to -20° C in the winter.

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

Population and Language

Kosovo's population estimations range from 1.9 to 2.5 million. The last two population census conducted in 1981 and 1991 estimated Kosovo's population at 1.6 and 1.9 million respectively. The latest estimate by OSCE puts the number at 2.5 million. The population density is close to 200 per square kilometer, one of the highest in Europe. Kosovo's population is mainly rural.

Its ethnic composition according to Statistical Office of Kosovo estimation is 92% Albanian and 5.3% Serbian, with the remaining 2.7% made up by other minority groups (Bosnian, Turkish, Roma, Gorans, Ashkali, Egyptian). Around 33% of the population is below 15 years of age, and only around 6.5% of the population over 65 years of age.

Kosovo has lately seen a drop in birth rate and a drop in infant mortality. Also the large segment of the Kosovo population has immigrated during the 1990 to Western Europe.

Pristina, the capital city has a population of 650,000 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 over all stayed stable. Future trend of population in Kosovo are difficult to predict at this juncture. However, the overall population is expected to continue to increase well into this century.

The official languages in the Republic of Kosovo are Albanian and Serbian. Turkish, Bosnian and Roma languages have the status of official languages at the municipal level. The Albanian language belongs to the Indo-European languages family.

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 before the First World War, and Yugoslavia just after. In the Socialist Federal Republic of Yugoslavia (SFRY), Kosovo enjoyed a certain degree of autonomy from 1974-90. The SFRY began to break up during the early 1990's with Slovenia, Croatia and Bosnia & Herzegovina breaking away from the state. An upsurge in violence in Kosovo in 1998 drew the attention of the international community, leading to an eleven-week conflict in the spring of 1999.

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). A UN-led process began in late 2005 to determine Kosovo's future status. Negotiations held intermittently 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 USA, EU countries and other world's countries. Since then, the Republic of Kosovo is an independent, sovereign and democratic country.

Political and Juridical System

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

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

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.

The juridical system consists of the Constitutional Court, the Supreme Court, Appeal Court and District Court.

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

EU mission – EULEX

EULEX, the new mandate of the EU Mission in Kosovo, which officially started on February 16, 2008, is to strengthen Kosovo institutions, legal authorities and agencies for law enforcement.

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.

Currency

In accordance with UNMIK Regulation No.1999/4 the Euro (“EUR”) was adopted as the official currency in Kosovo from January 1, 2002. It replaced the German Mark (“DEM”) being then the measurement and reporting currency in the territory of Kosovo.

Government and Political System

Visa System for Foreigners Traveling to Kosovo

Kosovo is very easy to access and to enter Kosovo only a valid passport is required. Under UNMIK’s administration, citizens with valid passports entering Kosovo from other countries do not require an entry visa. Visitors are advised to register with their country’s representative office in Kosovo, if they have such one.

The ten land borders which cross into Kosovo are as follows:

- Hani i Elezit (Municipality of Hani i Elezit) to Macedonia;
- Glllobiçica (Municipality of Prizren) to Macedonia;
- Vërmica (Municipality of Prizren) to Albania;
- Kulla (Municipality of Peja) to Montenegro;

- Zubin Potok (Municipality of Mitrovica) to Serbia;
- Lleshaku (Municipality of Mitrovica) to Serbia;
- Merdare (Municipality of Podujevo) to Serbia;
- Dheu i Bardhë (Municipality of Gjilan) to Serbia;
- Mutivoda (Municipality of Prishtina) to Serbia.

Residence Permit

Work Permit

As per provisions of Law no. 03/L-136, dated 10.07.2009 “On Issuance of the Work Permit for Foreign Citizens in the Republic of Kosovo”, foreigners wishing to work in Kosovo for a period of more than three months should obtain the work permit issued by the Ministry of Labor and Social Welfare.

The law provides for the exemption from the work permit to the following persons:

- Representatives and employees of diplomatic offices and international organizations with diplomatic status;
- Important personnel of commercial companies as defined on the Stability-Association Agreement between EU member states and Kosovo;
- Representatives of non-governmental and non-profit organizations;
- Executive directors and important employees of foreign companies who operate or aim to operate in the Republic of Kosovo;
- Other employees and professionals of a foreign company that will work with the branches of such companies in the Republic of Kosovo;
- Specialists coming to work in accordance with bilateral and multilateral agreements;
- Staff of international transportation companies;
- Lectures, members of scientific staff, university lectures/professors, members of scientific Staff of private scientific organizations, if there is a public interest, due to their particular knowledge;
- Representatives of mass-media, correspondents or reporters, working for a foreign employer;
- University students participating in exchange summer works based on the respective agreements;

- Military and civil officials of governments of other states who arrives in Kosovo in the basis of a contract of cooperation with Kosovo Government;
- Representatives of religious institutions who conducts work especially related to the religion.

According to the Instruction no. 17/2009 "On Procedures of Issuance of the Work Permit for Foreigner Citizens" of the Minister of Labor and Social Welfare, for obtaining the work permit the required documents are the following:

- a) Application form;
- b) Employment contract;
- c) Evidence of professional knowledge and other qualifications showing professional skills or specialization, in accordance with the contract and the workplace;
- d) Certificate of the business registration of the employer in Kosovo;
- e) Brief description of the business activity of the employer in Kosovo;
- f) Passport bearing the last entry seal into Kosovo or an official valid visa, if applicable;
- g) Penal record certificate, issued by the competent authorities in the country of origin. When the foreigner citizen is legally residing in Kosovo, such certificate may be obtained by Kosovo institutions;
- h) Medical certificate issued in the country of origin or in the country of his last residence. When the foreigner citizen is legally residing in Kosovo, such certificate may be obtained by Kosovo institutions;
- i) Certificate from the labor office proving that there are no registered unemployed citizens of Kosovo who meet the employment requirements for such work position.

The official fee for obtaining the work permit is EUR 50. The term of issuance of the work permit is 30 days.

Residence Permit

Under Law no. 03/L126, dated 16.12.2008 "On Foreigners"; the foreigners who enter in the Republic of Kosovo and will stay more than 90 days within 180 days must obtain the residence permit.

In order to obtain the residence permit the foreigner must submit near the Department for Citizenship, Asylum and Migration the following documents:

- a) Passport. The passport should be valid for at least 3 months after the expiry of the residence permit term;

- b) Evidences which prove the sufficient living means (e.g. bank accounts certificates);
- c) Work permit;
- d) Evidences on appropriate housing (e.g. lease contract);
- e) Health insurance;
- f) Penal record certificate issued by the competent authorities in the country of origin.

The Law 03/L126 provides for an exemption from the requirement for obtaining the residence permit to the members of diplomatic and consular missions, the members of missions of the organizations of UN and other institutions of the United Nations, and the members of missions of international organizations accredited in the Republic of Kosovo and their family members.

Accommodation

Whether for business or pleasure, Pristina offers excellent accommodation. For the foreigners that have to stay longer in Kosovo, a rent of a house or an apartment could be more wisely. The rental cost for 100 m² is approximately EUR 500 per month. There are too 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. A list of highly rated and popular hotels and restaurants is included in Appendix A.

Working Hours

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

Airport and Telecommunication

The only civil airport in Kosovo is Pristina Airport. It is a 20 minutes drive from the center of Pristina. It has a capacity of one million passengers per year. 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 into the city costs approximately EUR 25-30.

In the field of telecommunication there are 3 fixed telephony companies and 2 mobile telephony companies operating in Kosovo, so far. Three main internet service providers offer stable and broadband Internet, including DSL, Wireless, and Cable, at prices comparable with other European countries.

Chapter 2

Economic Survey

Key Indicators

Over the past years, the economy of Kosovo has fluctuated between positive and negative growth. Kosovo economy recorded a real GDP growth of 5.4% in the end of 2008, compared to 3.9% in 2007. Despite the positive growth, Kosovo's economy is still in an emerging stage of its development.

The economic growth was mainly generated by the increase of private consumption (83.2% of GDP) and public investment (72% of GDP), principally financed by banking sector loans, remittances, and foreign assistance and particularly by increase of budget expenditures.

Deposits of the banking sector, which is the most important sector, recorded an annual growth rate of 26.4% in 2008. On the other hand, loans grew by 32.7%, financing a large share of private sector consumption and investment. Considering that Kosovo lacks data on GDP by activity, some indicators such as banking sector loans indicate that the economic activity continues to rely on the trading sector. Loans in this sector compose the largest share of total loans of the banking sector. However, loans to other sectors of the economy such as agriculture and industry grew 29% and 4.9%, respectively.

Public consumption marked an annual growth of 11.4% while investments in this sector grew by 141.4%. As a result, the main contributors to the economic growth in 2008 were private consumption and public investments, followed by private investments and public consumption.

Below are indicated the main macroeconomic indicators, in million EUR

Table 1

Description	2005	2006	2007	2008
<i>Real GDP growth (%)</i>	3.8	3.9	3.9	5.4
Nominal GDP	30678	3192.0	3425.0	3804.0
Consumption	3443.2	3558.4	3877.1	4438.8
-Private	2729.5	2881.7	3209.4	3694.8
-Public	713.7	676.7	667.8	744.0
Investment	713.1	798.2	926.0	1142.0
-Private	528.3	652.2	793.5	821.9
-Public	184.8	146.0	132.6	320.0
Trade Balance	-1101.2	-1195.1	-1411.0	-1732.3
GDP per capita (in EUR)	1482.1	1519.8	1611.0	1759.0

Source: International Monetary Found

The high dependence of the Kosovo economy on imports continues to translate to high trade deficits (43% of GDP in 2008), consequently causing high current account deficit (19.5% of GDP).

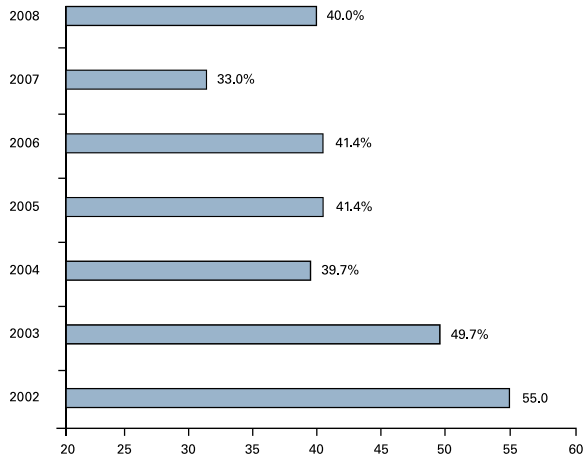
Economic Indicators

Inflation rate in 2008 stood at 9.3% generated by the increase of prices globally. Inflation recorded in Kosovo during 2008 was higher compared to the inflation recorded in the EU countries and SEE countries, with 3.9% and 7.6% respectively.

Unemployment in Kosovo remains high. According to the data from the Statistical Office of Kosovo (SOK), the unemployed rate in Kosovo was around 40% in the end of 2008. However, these data should be considered with caution, considering that a substantial part of the economic activity in Kosovo remains informal.

The registered number of the job-seekers in December 2008 was 335,942. This represents an increase of 0.4% compared to the same period in the previous year. The main generator of employment in Kosovo remains the private sector providing around 59% of new employments in 2008.

According to SOK, the average monthly wage in 2008 was around EUR 248, that represents an increase of 2.5% compared to the previous year. Private sector offers higher wages (EUR 258, on average) compared to the public sector (EUR 237, on average).



Source: Statistical Office of Kosovo (SOK), Report of Central Bank of Kosovo (2008)

Fiscal Indicators

Fiscal stance in Kosovo was characterized mainly with budget surpluses in previous years. In the absence of the law on public debt and undefined political status, the Kosovo government was unable to borrow internally and externally. As a consequence, available sources to finance any budget deficit consisted of the accumulated surpluses from the previous years. However, the membership of Kosovo in the IMF and other international financial institutions will facilitate access in external sources of finance in order to address eventual budgetary needs.

Unlike the past two years which were characterized by surpluses, the budget in 2008 was balanced with a deficit of EUR 8.1 million, resulting from a higher growth rate of the budget expenditures compared to revenues.

Below are indicated the revenues & expenditures through the years

Table 2

	2003	2004	2005	2006	2007	2008
	<i>In % of GDP</i>					
Revenues	32.8	26.8	28.1	31.4	30.1	24.8
Expenditures	30.3	32.8	31.2	27.7	31.4	25.0
Overall Balance	2.5	-6.0	-3.1	3.7	-1.3	-0.2

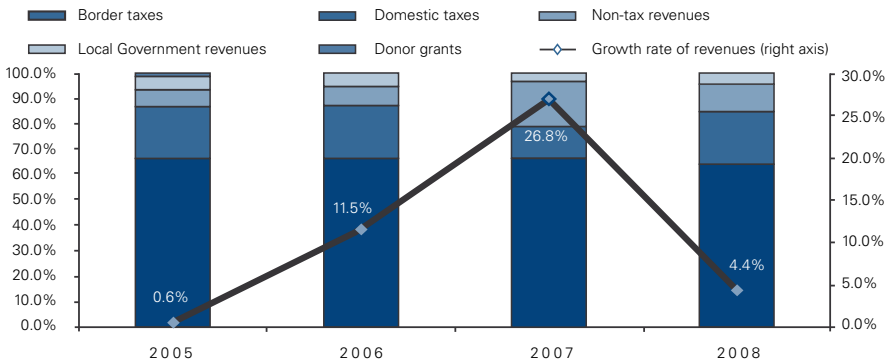
Source: Statistical Office of Kosovo (SOK), Report of Central Bank of Kosovo (2008)

The budget revenues have reached at around EUR 942.5 million, representing an annual increase of 4.4%. However, the growth rate recorded in 2008 was lower compared to the previous year (the growth rate in 2007 over 2006 was 26.8%). This was mainly due to the licensing of the second mobile telephony operator in 2007 with revenues contributing to the budget amounting at EUR 75 million. As a result, the share of budget revenues to GDP declined to 24.8% (from 26.4% in 2007). This ratio is lower compared to some countries in the region.

Border taxes were the main sources of the budget revenues, presenting 64.1% of the total budget revenues in 2008. Another important source of the budget revenues in 2008 was domestic taxes that represented 21.3% of total budget revenues.

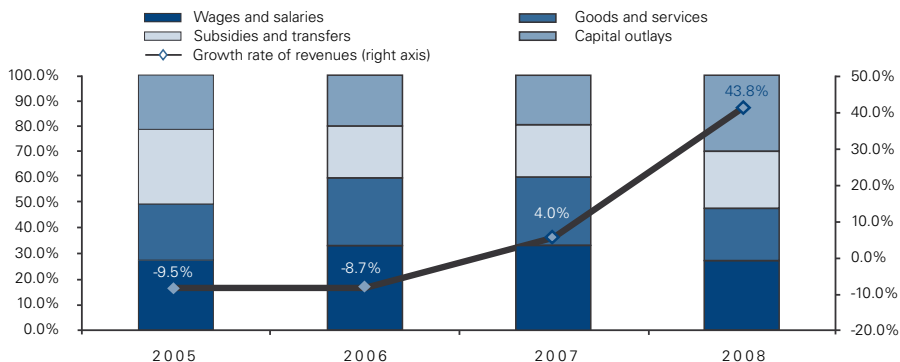
Structure of budgeted revenues, in percentage

Graph 2



Source: Ministry of Economy and Finance

During 2008, the budget expenditures grew rapidly recording the highest annual growth rate since 2002. The volume of budget expenditures in 2008 reached EUR 950.5 million, representing an annual growth of 43.8%. As a share to GDP, budget expenditures reached 25% (compared with 19.3% in 2007). The increase in the total budget expenditures is mainly as a result of the increase in capital expenditures. Capital expenditures in 2008 amounted at EUR 347.1 million, an annual increase of 12.3%.



Source: Ministry of Economy and Finance

Financial Sector

Financial Sector in Kosovo continued to expand its activities during 2008, despite negative developments in the financial markets worldwide. In the end of 2008, the value of financial sector assets reached EUR 2.3 billion, an increase of 20.2% compared to 2007. Financial sector is dominated by the growth of the banking sector assets that manage about 80% of total financial sector assets. The remainder of the assets is shared between insurance companies (3.4%), pension funds (11.4%) and other financial intermediaries (5.2%).

The activity of financial institutions operating in Kosovo is not complex and is based mainly on the traditional financial activities such as lending and collection of deposits from citizens.

Central Bank

To insure order, control and proper supervision within the financial sector, in November 1999 was established the Banking and Payments Authority of Kosovo (BPK), which operated within UNMIK Pillar IV. It was tasked with monitoring the establishment of the basic regulatory, organizational and technical infrastructure required for the development of a functioning competitive financial system.

The new Kosovo Constitution recognizes the creation of Central Bank of Kosovo, as an independent institution reporting to the Assembly of Kosovo.

Banking Industry Composition

Kosovo banking system since 1999 when was established, has undergone significant changes. Before the beginning of year 2000, Kosovo was almost an entirely cash based economy.

Banking sector assets in 2008 reached at EUR 1.8 billion or 47.5% of GDP, which represents an annual growth of 26.3%. The most important component of banking sector assets continues to be loans, which represented 65.4% of total assets in 2008. During 2008, investments in securities continued to decline. The share of securities to total banking sector assets was 2.2% in 2008, compared to 5.5% in 2007.

Based on statistics dating December 2008 the banking sector in Kosovo consisted of eight banks, where only two have domestic ownership, while the share of foreign bank assets to total banking sector assets is around 90%. The ownership structure of the banking sector in Kosovo, in terms of the number of the foreign banks towards the total number of banks, is similar to some countries in the region, where foreign banks dominate the banking sector. (Table 3)

Number of banks in countries in the region, end 2008

Table 3

Country	Foreign banks	Domestic banks	Total
Albania	14	2	16
Bosnia &Herzegovina	21	9	30
Croatia	16	17	33
FYR Macedonia	12	6	18
Montenegro	7	4	11
Serbia	20	14	34
Slovenia	3	15	18
Kosovo	6	2	8

Source: Reports issued by the Central Bank of the countries mentioned here above (2008)

The banks are focused in traditional banking activities and their services are limited to the activities related to deposits and loans. Year 2008 marked a significant increase in the provision of banking services such as Automated Teller Machines (ATMs), points of sale, electronic banking accounts, etc., thus, facilitating clients' access to banking services.

Year 2008 was also characterized by the engagement of Central Bank in the process of establishment of the Deposit Insurance Agency, in cooperation with German Bank for Development (KfW).

Below is the structure of financial institutions operating through the years

Table 4

	2003	2004	2005	2006	2007	2008
<i>Cumulative</i>						
Commercial Banks	7	7	7	6	8	8
Insurance Companies	6	7	8	8	9	10
Pension Funds	7	7	7	5	3	2
Other Financial Intermediaries	15	17	20	21	19	22

Source: Report of the Central Bank of Kosovo (2008)

Competition in the bank sector contributed to some extent to the narrower interest rate spreads. Interest rate spread stood at 9.37 pp in 2008 compared to 11.56 pp in 2007. In the end of 2008 lending rates stood at 13.79%, falling by 1.8 pp compared to the end of 2007.

Interest rates on deposits in December 2008 stood at 4.42% compared to 4.00% in December 2007.

Below is a table summarizing financial results and profitability ratios in the banking system

Table 5

	2003	2004	2005	2006	2007	2008
Net interest margin	4.30	5.40	6.00	5.90	6.7	
<i>In percentage</i>						
ROA	1.30	1.90	1.50	1.80	2.5	2.4
ROE	18.80	22.60	20.10	24.7	27.7	20.2

Source: Report of the Central Bank of Kosovo (2008)

Loans and Deposits

The structure of loans by sector in 2008 remained similar compared to the previous period. Loans of the banking sector reached EUR 1.2 billion in December 2008 signing an increase by 32.7%, consisting of financing of a large share of private sector consumption and investment. The largest share of total loan portfolio is composed of loans issued to enterprises with 76.3% of total loans in 2008; meanwhile loans to household represent 23.7% of total.

The large share of loans to trading sector reflects the structure of Kosovo economy which is largely based on this sector. The agricultural loans have the lowest participation in total banking sector loans with only 4.1%.

Deposits in 2008 amounted EUR 1.4 billion or 38% of GDP.

Deposits of the banking sector, which is the most important sector within Kosovo financial sector, recorded an annual growth rate of 26.4% in 2008.

The main source of deposits continues to be households with a share of 58.4% of total deposits in 2008. Another important source of deposits is public enterprises representing 18.3% of total deposits, followed by private sector composing 15.8% of total deposits.

Other Financial Institutions

Insurance Companies

In 2008 the number of insurance companies was brought at 10 by a new entrance in the insurance market in Kosovo.

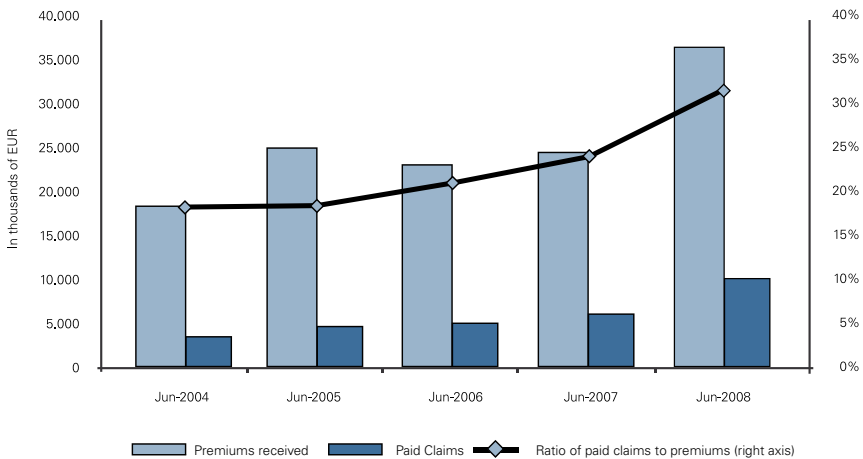
Among the insurance companies operating in Kosovo, 7 are foreign owned and manage 73 % of total assets of the sector. The main activity in the insurance industry remains vehicle insurance through Third Party Liability (TPL) policies. However, the insurance market of Kosovo introduced also the life insurance services in 2008, reflecting the fact that insurance companies are expanding their activities, hence, contributing to further development of the financial sector.

The annual growth of total assets of the insurance companies was 10.7% higher compared to year 2007 amounting at EUR 78.4 million. On the other hand, in 2008, the amount of paid claims was 37.8% higher than in 2007, reaching at EUR 17.7 million. As a result, the ratio between paid claims and premiums stood at 31.4%, compared to 25.2% in 2007.

The total number of sold policies in 2008 reached 476,000, in percentage 17.2% higher than in 2007. TPL represents again the largest category (82%).

Insurance companies activity

Graph 4



Source: Report of the Central Bank of Kosovo (2008)

Pension Funds and Other Financial Intermediaries

Kosovo pension system is a modern system which is organized in three main pillars.

The first pillar includes the basic pension of EUR 75, which is paid from the budget of Kosovo for all people older than 65 years.

The second pillar includes the individual pension contribution, managed by Kosovo Pension Saving Trust (KPST) and financed by both, employees and employers, whilst the third pillar includes the voluntary pension schemes, managed by KPST and Slovenian – Kosovo Pension Fund and financed on voluntary basis by employees and/or employers.

The Kosovo Pension Funds assets amounted at EUR 256.3 million in 2008, which represents an annual decrease of 10.4%.

In 2008, assets of other financial institutions amounted at EUR 93.6 million and represented 7.3% of total loans granted by the financial sector in Kosovo. Currently, there are 16 Micro Financing Institutions operating in Kosovo and the main activity of these institutions is lending to households, small business and agro-business.

During 2008, around EUR 233 million have been transferred through money transfer agencies, of which over 90% were incoming transfers to Kosovo. Anyhow, most of the international transfers in Kosovo are conducted through commercial banks (around 73% of total international transfers).

Trade

As the result of continuous increase in imports, the trade deficit in Kosovo reached 43% of GDP in 2008. During 2008, imports increased by 22.2%, of EUR 1,837 million, while exports increased by 20.2%, of EUR 198.5 million. Therefore, the import/export coverage stood at 10.8% in 2008.

The structure of exports in 2008 was dominated by base metals and mineral products composing 62.9% and 9.4% of total exports, respectively. Even though the annual increase of this category with 67.4%, in the last two months of 2008 exports of base metals marked a decline as a result of falling prices in international markets.

The structure of imports remains similar to year 2007 with mineral products constituting the most important category of imports (19.6% of total). The import of minerals products marked an annual increase of 19.2%, by reaching the amount of EUR 378.6 million in 2008. The import of food and beverages products amounted at EUR 261.9 million in 2008 (13.2% of total imports), representing an annual increase of 17.6%.

Below are indicated the imports and exports, by commodity group

Table 6

Principal exports 2008	In mln EUR	Principal imports 2008	In mln EUR
Total	195,9		1,928.2
Base metals articles	124,1	Base metals articles	179,6
Mineral products	17,9	Mineral products	378,6
Machinery and electrical materials	8,4	Machinery and electrical materials	239,9
Miscellaneous manufactures articles	2,3	Miscellaneous manufactures articles	44,5
Beverages and tobacco	10,5	Beverages and tobacco	261,9
Vegetable products	8,9	Vegetable products	103,6
Plastics, rubber and articles thereof	6,4	Plastics, rubber and articles thereof	86,1
Transport means	2,1	Transport means	131,1
Textiles and textiles articles	2,5	Textiles and textiles articles	64,0

Source: Report of the Central Bank of Kosovo (2008)

Geography of Trade in 2008

The main trading partners of Kosovo in terms of exports in 2008 were EU countries and members of Central Europe Free Trade Area (CEFTA) with the share of the total exports at 47.7% and 31%, respectively. Change in the composition can be noticed as exports to EU, increased the share of total exports by 5.7pp and the exports to CEFTA declined by 8pp. The decline of exports to CEFTA was a result of trade embargo introduced by Serbia and Bosnia & Herzegovina for Kosovo products.

EU and the CEFTA countries, from where Kosovo imports 36.2% and 37.5% of total imports, respectively, represent Kosovo's main trade partners for imports as well.

Exports

During 2008 exports amounted to EUR 198.5 million which corresponds to an increase by 20.2%. With regard to the destination of the exported goods, during 2008 a large amount of exports was directed towards EU countries which accounted for 47.7% of total exports. Within the EU countries, Italy (EUR 25.5 million) and Belgium (EUR 28.1 million) represent the largest share followed by Greece (EUR 10.8 million) and Germany (EUR 7.1 million).

A large amount of exports in 2008 was directed to Macedonia and Albania with EUR 19.4 million and 21.1 million, respectively, followed by Serbia with EUR 9.9 million and Bosnia & Herzegovina with 5.7 million, which compared with the year 2007 the amount of exports for the last two countries was decreased.

Imports

The amount of imports during the year 2008 attained EUR 1,837 million, which compared with the previous year marks an increase (EUR 1,503.3 million in 2007).

With regard to the structure of imports by the country of origin of goods, the largest share belongs to the EU countries and CEFTA members with 36.2% and 37.5%, respectively, which represent Kosovo's main trading partners for imports as well.

Within the EU countries, Germany accounts the largest share of imports in EUR 10.3 million.

The share of imports with Macedonia increased in EUR 346.5 million; compared with 2007 with about EUR 237.9 million. While the share of imports with Serbia was decreased, compared with the year 2007 (EUR 222.5 million), in EUR 214.5 million. Regarding to share of imports with Albania, Croatia and Bosnia & Herzegovina, there is an increase during 2008.

Chapter 3

Opportunities for International Investors

Energy and Mining

The energy and mining industries represent the largest potentials to improve Kosovo's economy. The energy sector development potential is based on Kosovo's enviable reserves of lignite, which are estimated at around 12 billion tones. The lignite reserves can be exploited in surface mines, thus providing a very cheap source of energy for thermo-electric power plants. At an exploitation cost of 1,1 EUR/GJ of energy, Kosovo's coal is one of the most economical in the region.

The existing reserves of coal would enable the expansion of the generating capacity by up to an additional 2,000 MW.

Furthermore, Kosovo is well endowed with deposits of lead and zinc. Located in the eastern part of the territory, these deposits are sufficient to make of Kosovo a significant supplier of zinc in the regional markets. Kosovo could not only develop markets for raw zinc, but also for more value-added zinc products.

The ferronickel and magnesium reserves are also significant in Kosovo, offering opportunities for international investors.

Agriculture Potentials

Kosovo is well endowed with agricultural land suitable for high-value crops, such as fruits and vegetables. Because of their size, land plots are less appropriate for the cultivation of high-volume low value crops. The supplemental agro-products processing industries also present excellent investment opportunities in Kosovo.

Agriculture is seen as one of the engines of economic growth for Kosovo. According to official governmental sources, Kosovo has an area of 1.1 million hectares and as much as 53% of it, is cultivable land. More than 60% of the population lives in rural areas and the majority of them work in agriculture. The bulk of agriculture consists of subsistence farming in family farms of less than 3 hectares on average. Less than 1% of the farms have more than 10 hectares of land.

In the year 2008, the sector of agriculture contributed 25% to the GDP and is the main source of income for the majority of the population. It is one of the most important employment providers in Kosovo and it accounted for 18% of the value of exports.

Foreign Investments

The amount of net foreign investments in year 2008 reached EUR 340.4 million, which represents a decrease of 17.7% compared to 2007. This decline is mainly attributed to the stagnation of the privatization process during 2008, while in the previous year this process was among the main attractors of foreign direct investments. In addition, the licensing and the investments of the second mobile telephony operator represented a substantial part of foreign investments inflows in the previous year.

The changes in the fiscal policy, effective starting from January 2009, may attract higher foreign investment inflows in Kosovo.

A significant attraction of investments is expected from the recommencement of the privatization process. Also membership of Kosovo in IMF and World Bank and increased capital investments (improving especially the roads infrastructure) may be positive signals for potential investors.

Privatization

The privatization process in Kosovo started in 2003 and represented a good opportunity for the recovery of the industry of Kosovo. However, this process stagnated during 2008, which can be attributed to the process of transfer of competences from the Kosovo Trust Agency to the Privatization Agency of Kosovo, which took place after the declaration of independence in February 2008. The share of privatization revenues to GDP reached 10.7% in 2008, compared to 11.6% in 2007.

Location Advantage

Kosovo is located amidst a potential market in South-East Europe of 100 million people. It is well connected to regional centers via road, rail, and air communications, and linked to the regional centers via 16 roads that pass through Kosovo.

Major transport connections have been rebuilt and will be upgraded in the near future. After completion of planned road constructions, Kosovo will have easy access to the ports of Durres in Albania and Thessaloniki in Greece.

Below are indicated the travelling distances from Pristina to other regional cities

Table 7

REGIONAL CENTRE	TRAVELLING DISTANCE FROM PRISTINA (km)
Skopje	86
Thessalonica (port city)	312
Tirana	330
Belgrade	355
Durres (port city)	355
Sarajevo	390
Bar (port city)	570
Zagreb	741
Budapest	747
Sofia	279

Source: *Why invest in Kosovo? Ministry of Trade & Industry, UNMIK European Union Pillar (2005)*

Chapter 4

Business Law, Accounting and Audit Requirements

Types of Business Entities

According to UNMIK Regulation 2008/26 “On Business Organizations” dated 27.05.2008 which promulgated the Law no. 02/L-123 of Assembly of Kosovo dated 27.09.2007, the business entities that may be registered with the Kosovo Registry of Business Organizations and Trade Names (the “Registry”) are the following:

- Personal Business Enterprise – Ndermarrja Individuale
- General Partnership – Shoqeri kolektive
- 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 conduct business in Kosovo through a branch office, upon registration with the Registry.

The branch office is not a separate legal entity, consequently, rights and obligations pertaining to the branch office shall be deemed to pertain to the parent company.

To establish a branch in Kosovo, the foreign business organization through its duly authorized persons, should sign and submit a standard application form, a “foreign business organization memorandum” containing information and details about the organization, capital structure and scope of activity of the parent company and/or of the branch, the registration certificate of the parent company in 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.

A foreign business organization shall not be required to register at the Registry if it is engaged exclusively in exporting to Kosovo from abroad products or services which are imported in Kosovo by purchasers or potential purchasers established or residing in Kosovo.

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

Personal Business Enterprise

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 seizeable 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 later 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 form 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 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 a "general partnership memorandum" containing information and details about the organization and purpose of the partnership and must attach to the memorandum the written consent of the registered agent to serve in such capacity.

Limited Partnership

Consist 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 memorandum" containing information and details about the organization and purpose of the partnership, copy of the company's regulation, and a written consent of the registered agent to serve in such capacity.

Limited Liability Companies

A corporation which shares are distributed only to its founders or to the pre-determined persons. A limited liability company cannot conduct a public offering of its shares, and the number of shareholders cannot exceed fifty (50). The minimum investment required to establish a limited liability company is EUR 2,500. Each entity must comply with legal requirements set forth in Regulation 2008/26 on Business Organizations.

A limited liability company may come to existence only 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, copy of the company's agreement and the written consent of the registered agent to serve in such capacity.

Joint Stock Companies

A corporation which shares may be transferred by the owner(s) without the approval of other shareholders or the company. A joint-stock company may have any number and categories of shareholders. 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 25,000.

A joint stock company shall come to existence only 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, company's regulation and a written consent of the registered agent to serve in such capacity.

Both Limited Liability Companies and Joint Stock Companies, namely Corporations are governed by General Meeting of Shareholders, Board of Directors and Officers. Limited Liability Companies with less than 20 shareholders may choose not to have a Board of Directors. In this case powers of this Board shall be exercised by the General Meeting of Shareholders.

Accounting Regulations

UNMIK Regulation No. 2001/30 "On the Establishment of the Kosovo Board on Standards for Financial Reporting and a Regime for Financial Reporting of Business Organizations" vested Kosovo Board on Standards for Financial Reporting ("the Board") with the right to issue the Kosovo Accounting Standards (KAS) in conformity with International Accounting Standards.

The Board has released the Administrative Instruction No. 2002/01 dated 06.02.2002 "On Kosovo Accounting Standards", which comprises nineteen accounting standards as listed below:

KAS 1 – Presentation of Financial Statements

KAS 2 – Inventories

KAS 3 – Property, Plant and Equipment

KAS 4 – Depreciation Accounting¹

KAS 5 – Net Profit or Loss for the Period, Extraordinary Items, Changes in Accounting Estimates, Changes in Accounting Policies and Fundamental Errors

KAS 6 – Revenue

1 KAS 4 has been withdrawn and substituted with KAS 3 and 15.

KAS 7 – Accounting for Government Grants and Disclosure of Government Assistance

KAS 8 – Cash Flow Statement

KAS 9 – Borrowing Costs

KAS 10- Related Party Disclosures

KAS 11- The Effects of Changes in Foreign Exchange Rates

KAS 12- Profit Taxes

KAS 13- Leases

KAS 14- Financial Instruments

KAS 15- Intangible Assets

KAS 16- Construction Contracts

KAS 17- Provisions, Contingent Liabilities and Contingent Assets

KAS 18- Events after the Balance Sheet Date

KAS 19- Earnings per Share

Financial reporting for topics not addressed within KAS must comply with International Accounting Standards.

As an alternative to Kosovo Accounting Standards, the companies may prepare general-purpose financial statements in full compliance with International Accounting Standards/ International Financial Reporting Standards (IFRS).

According to KAS 1, the financial statements should be presented at least annually.

In the preparation of the financial statements, the following principles, common to international accounting practice, apply:

- Assumption of the going concern basis;
- Consistency between accounting periods;
- Use of accrual accounting;
- Comparative information should be disclosed in respect to the previous period for all numerical information in the financial statements;
- Each material item should be presented separately in the financial statements. Immaterial amounts should be aggregated with amounts of similar nature or function and need not to be presented separately.
- Assets and liabilities, as well as items of income and expense, should not be offset.

Financial Statements and Certification Requirements

The companies with either annual turnover in excess of EUR 100,000 or total assets in excess of EUR 50,000 and the companies operating with public or socially owned assets, must prepare general-purpose financial statements in accordance with the above mentioned Regulation.

KAS 1 provides that financial statements should include the following documents:

- Balance sheet;
- Statement of income;
- Statement showing all changes in equity;
- Cash flow statement;
- Accounting policies and explanatory notes.

The standard forms of the above documents, as provided by KAS 1, are presented in Appendix E.

Together with the financial statements the companies should file with the tax authorities, within 31st of March of the subsequent year, the annual corporate income tax return.

The standard form of the annual tax return is shown in Appendix D.

Audit Requirements

Companies having either an annual turnover or total assets in excess of EUR 250,000 must have their financial statements audited by licensed auditors in accordance with applicable auditing standards.

Chapter 5

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.

Residency

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. 03/L-162, dated 29.12.2009 "On Corporate Income Tax", effective from January 1, 2010 ("Corporate Income Tax Law").

Beginning from January 1, 2009, companies conducting business in Kosovo are subject to corporate income tax at a rate of 10%. Previously, the corporate income tax rate was levied at 20%.

Taxpayers (except for insurance companies) with annual gross income up to EUR 50,000 (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:

- (i) three percent (3%) of income resulting from activities of trade, transport, agricultural and similar commercial activities;
- (ii) five percent (5%) of income resulting from provision of services, professional/vocational activities, entertainment and similar activities;
- (iii) 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 reconstruction 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 or exchange of property between related persons;
- pension contributions above the maximum amount allowed by the Kosovo Pension Law;
- training expenses above EUR 1,000 per employee in any tax period;
- 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 books, (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;
- deductible and/or reimbursable value added tax;
- contributions made for humanitarian, health, education, religious, scientific, cultural, environmental protection and sports purposes, which exceed five per cent (5%) of taxable income (before the deduction of such expenses);
- representation costs exceeding two percent (2%) of total gross income (provided that only 50% of the amount paid for business entertainment is allowed).

Depreciation

The owner of the asset is entitled to depreciation allowances. In case of 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 grouped in three categories and the depreciation rates are applied, using the straight-line method, on the historical value of each category at the end of the tax period.

Category 1- Buildings and other construction structures are depreciated at 5% rate.

Category 2- Automobiles and light trucks, heavy transport vehicles, other heavy vehicles, computers and similar office furniture, and equipment are depreciated at 20% rate.

Category 3- Plant and machinery, rolling stock and locomotives used for rail transport, airplanes, ships and all other tangible assets are depreciated at 10% rate.

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

Tangible assets with a purchase price of more than Euro 1,000 and less than Euro 3,000 purchased after January 1, 2010, should be placed in a single asset pool account and depreciated at a rate of 20% irrespective of the category of assets under which they would be classified. Additionally, tangible assets that were purchased and depreciated under the pooling method prior to January 1, 2010 should continue to be depreciated under the same method and rate until the value of the pool equals to zero.

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.

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

Reserves and Provisions

In general, reserves are not allowable deductions for tax purposes, except for the reserves and provisions of financial institutions licensed by the Central Bank of Kosovo. Insurance companies do not benefit this allowance.

Incentives

Special Allowance for New Assets

If a taxpayer purchases any asset belonging to Category 3 (mentioned above on section "Depreciation") for the purpose of its business activity between January 1, 2010 and December 31, 2012, a special deduction of ten percent (10%) of the cost of acquisition of the asset is allowed in the year in which the asset has been first put in operation.

This deduction is in addition to the normal depreciation deduction.

The deduction must be allowed only if the asset is new or is put into service in Kosovo for the first time.

Losses

Losses may be carried forward for seven 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.

Special Treatment of Insurance Companies

Companies, which principal activity is the insurance or reinsurance of life, property, or other risks, pay the tax at five percent (5%) rate of the gross premiums accrued during the tax period, instead of the corporate income tax.

Withholding Tax

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 are 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 are 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 and the gross payment made to the non-resident is more than Euro 5,000 in any tax period).

Transfer Price

Tax authorities have the right to make adjustments to profit arising from a transaction between related parties if the parties have concluded the transaction under conditions, which differ from those of a similar transaction between unrelated parties. To this end, tax authorities might use the comparable uncontrolled price method and, when this is not possible, the resale price method or the cost-plus method.

Double Taxation Avoidance Treaties

Kosovo authorities have not officially abolished the tax treaties signed by the former Federal Republic of Yugoslavia. However, in practice they do not recognize them as applicable.

Kosovo has entered into a treaty "On Avoidance of Double Taxation with Respect to Taxes on Income and on Capital" with the Republic of Albania, which is effective from January 1, 2006. No other tax treaties are currently signed.

Indirect Taxes

Value Added Tax

VAT taxable persons are all individuals and legal entities making taxable supplies and having an annual turnover in excess of EUR 50,000. For individuals and legal entities that operate in the import/export sector it is mandatory to be registered, notwithstanding the annual turnover.

Taxable transactions include the supply of goods and services in Kosovo by a taxable person, as well as the 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 insurance costs, import costs and any applicable taxes, duties or tariffs.

The rate of VAT in Kosovo is 16%, beginning from January 1, 2009.

The following imports and supplies are VAT exempt:

- import of a traveler's personal goods, as defined by the applicable customs provisions;
- import of tourist duty-free goods, as defined by the applicable customs provisions;
- imports or supplies financed from the grants made to UNMIK or through UNMIK, for Ministries, government agencies, governmental or non-governmental organizations in support of humanitarian and reconstruction programs and projects in Kosovo;
- imports made by and supplies made to diplomatic representatives or consular missions in Kosovo;
- imports made by and supplies made to the United Nations or any of its organs including UNMIK, the specialized agencies of the United Nations, KFOR, the World Bank and international inter-governmental organizations;
- imports and supply of medicines, medical services, pharmaceutical products, or medical and surgical instruments and apparatus;

- fine or penalty levied by public authorities;
- supply of public education services;
- supply of financial services;
- sale or lease of land or residential property; and
- supply of permits or licenses against a fee by a municipal or public authority.
- The following are zero-rated supplies:
 - exports;
 - supplies of goods and services in connection with:
 - (i) the international transportation of goods or passengers; and
 - (ii) the irrigation of farming land.
- imports and supplies of several agricultural products.

New VAT Law Provisions

Parliament of Kosovo has approved a new law "On Value Added Tax" (no. 03/L-146, dated 29.12.2009), purposed to be in line with the European VAT Directive. This Law will enter into force on July 1, 2010.

Tax on Real Estate (Local Tax)

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 into 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 UNMIK by governments, governmental agencies, governmental or non-governmental organizations, in support of humanitarian and reconstruction programs and projects in 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 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 customs 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 a customs rate of 10% for all goods imported into Kosovo.

Chapter 6

Taxation of Individuals

General

Under Law no. 03/L-161, dated 29.12.2009 "On Personal Income Tax" while residents pay tax on all taxable income sources, non-residents pay tax only on income generated within the territory of Kosovo.

Residency

Individuals having their habitual/principal residence in Kosovo or staying in Kosovo for a period of more than 183 days per year are considered Kosovo tax residents.

Taxable Income

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;
- Capital gains including the income from transfer of ownership on real estate (effective from January 1, 2010);
- 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).

Taxpayers are required to prepare an annual tax declaration for personal income tax on or before 1 April of the following year (see Appendix G).

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.

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 on 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 insurance 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;
- 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 student;

- Training expenses paid by the employer for the employee, which do not exceed EUR 1,000 in any tax period.

Personal Income Tax Rates

Wages, salaries and other compensation for employees will be taxed as indicated below *Table 8*

Threshold (annual compensation in Euro)		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

Pension Contributions

As per Regulation No. 2001/35 "On Pensions" each of the employer and the employee must pay pension contributions at the level of 5% of the gross monthly salary. Kosovo legislation does not require the foreign individuals to pay pension contributions.

Taxes on Individual Business Activities

Individuals who carry on independent businesses 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 the taxpayers with annual gross income from EUR 5,000 up to EUR 50,000 who are not required to, and do not opt 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 commercial activities, but not less than EUR 37.50 per quarter; and
- five percent (5%) of each quarter' s gross income resulting from provision of services, professional/vocational business activities, entertainment and similar activities, but not less than EUR 37.50 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 10. Expenses incurred during the tax period are deductible from the gross income resulting from business activities.

Chapter 7

Labor Law in Kosovo

General Issues

Employment in Kosovo is governed by the Regulation no. 2001/27 “On Essential Labor Law” in Kosovo (“Kosovo Labor Law”), Regulation No. 2005/20 “On Pension in Kosovo” as amended (“Pension Law”) and any other normative acts issued by the Kosovo legislative bodies in order to regulate different features of the employment area based on the rapid social and economical changes that occur.

Working Conditions

Minimum Age

Eighteen (18) years of age is the minimum age for employment or work. A person under 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 shall not affect the attendance at school. Employment of persons under 15 years of age is prohibited.

Working Hours and Overtime

The daily working hours may not exceed 12 hours meanwhile the normal weekly working hours should not exceed 40 hours.

Nevertheless, the Kosovo Labor Law provides different standard daily working hours based on the kind of activity where the employee performs his work. Overtime work may not exceed 20 hours per week and 40 hours per month.

Working hours between 10:00 p.m. and 5:00 a.m. shall be considered as night work, and paid as overtime.

Compensation for Overtime Work

Compensation of overtime is done in salary or time-off. The compensation in salary is 20% more of the salary applicable for the working hours during normal working days; compensation in time – off is given during the consecutive month. Work during National Holidays is compensated in salary as per above or in one day of time – off per each day of National Holiday spent at work.

Retire Age

Pursuant to the Pension Law the retire age is achieved at the age of 65 years and the Regulation does not make any distinction with regard to the retirement age between women and men.

Anti – discrimination

Kosovo Labor Law contains provisions which prohibit discrimination characterized by sex, race, religious and ethnical backgrounds.

Employment Contracts

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

- a) parties, their place of residence, (for the employer the legal seat and the registration number with the Business Register);
- b) place of work, and when it is not static, the main place of work performance;
- c) name, kind, nature of work or services and a brief description of the duties;
- d) first working day;
- e) duration of the employment contract;
- f) gross amount of employee salary.

Termination of Employment Contracts

Kosovo Labor Law provide for the termination of an employment contract in the following cases:

- a) death of the employee;
- b) upon agreement of the parties;
- c) misconduct of the employee;
- d) bad performance of duties by the employee;
- e) upon expiration of duration of the employment;
- f) by operation of law.

An employment contract shall be terminated by the employer on the grounds of serious misconduct or unsatisfactory performance by the employee, where serious misconduct includes the following:

- a) unjustified refusal to perform the obligations set out in the employment contract;
- b) theft, destruction, damage or unauthorized use of the employer's assets;
- c) disclosure of business secrets;
- d) consumption of drugs or alcohol at work; and
- e) behavior of such a serious nature that it would be unreasonable to expect the employment relationship to continue.

Unsatisfactory performance shall include the following:

- a) unjustified absence from work; and
- b) repeated mistakes not sufficient in themselves to justify a dismissal, but which given their frequency and seriousness affect the normal course of the employment relationship.

An employment contract shall be terminated by operation of law when the employer determines that the employee, due to medical reasons, is no longer able to perform the work or services for which he/she was employed, and when there is no alternative work available that he/she would be able to perform. The employer shall give the employee 1 month notice of termination.

An employment contract may be terminated by an employer due to economic, technological or structural changes to the enterprise.

Collective Agreement

A collective agreement may be concluded between:

- a) employer(s) or employer's representative and
- b) union(s) or, where no union(s) exists, other employees' representative.

A collective agreement may be concluded at:

- a) Republic level;
- b) branch level; or
- c) enterprise level.

A collective agreement may be for a fixed period 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

Annual Leave

Kosovo Labor Law entitles the employee to a fully paid annual leave, which varies from the period of work served by the employee to the employer. During the first year of employment the employee is entitled to an annual leave of 12 days (i.e. one day of leave per each month). After the first year of employment, the employee is entitled to 18 days of annual leave (i.e. 1.5 day per each month of work).

Paid Leave

According to Kosovo Labor Law, the employee is entitled to additional paid leave for occurrences, such as sick, birth of a child, death among ascendants or descendants, marriage etc.

The employee is entitled to a 12 weeks of maternity leave after the birth of a child, which shall be paid at the rate of at least 2/3 of the employee's salary.

Illness

In case the employee cannot work because of illness, the employee should notify the employer within 48 hours. In case of employee inability to work due either to an accident occurred in the work environment or to illness, the employee shall be entitled to compensation for the duration of illness.

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 a normal working day.

New Law on Labor

On April 30, 2010 the Government of Kosovo has approved a draft Law "On Labour" and has forwarded it to the Assembly of Kosovo for examination and approval.

Chapter 8

Acquisition and Registration of Immovable Property

Registration of Immovable Property

The registration of immovable properties in Kosovo is regulated under the Law no. 2002/05 “On Establishment of Immovable Property Rights Register” as amended and by the Law no. 2003/25 “On the Cadastre,” as amended.

While the Register of the 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, parts 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 evidences on immovable properties pursuant to the recorded dates of registration and supervising the cadastral activity as well issue secondary legislation.

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

The Cadastre contains all the data necessary for identifying the immovable property and parties bearing rights over such property, such as 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.

Law no. 2002/05 enables the registration of the rights as follows: (i) ownership (on land, buildings, parts of buildings – apartments and commercial premises), (ii) mortgages; (iii) servitudes and (iv) the right to use social and state owned property.

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. The MCO shall publish such application along with the property details, at least five (5) working days prior to issuing a decision authorizing registration of the same. The published note shall include *inter alia* the deadline by which any concerned party may file objections with the MCO.

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. The concerned parties may

appeal against the decision of MCO before with the Kosovo Cadastral Agency, within 30 days from the date of notification.

In case of claims where parties failed to agree on any solution, the competent court shall have jurisdiction to rule on the dispute. Upon 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

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. 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.

Chapter 9

Government Controls

Competition Law

The Kosovo competition protection system is actually governed by Law No. 2004/36 dated 08.09.2004 "On Competition" ("Competition Law") promulgated with Regulation UNMIK No. 2004/44 dated 29.10.2004. The main scope of such Law is to harmonize the Kosovo competition system with the standards of the EU competition legislation by adopting some of the core elements found in the community competition policies and rules. The law assigns the duty to control competition in the relevant market to the Kosovo Competition Commission ("KCC").

The pillars of the Kosovo Competition Law are the prohibition of restrictive agreements, decisions or concerted practices, prohibition of abuse of dominant position and prohibition of other restrictive practices, when all are carried out from "undertakings" with the purpose of restricting, suppressing and distorting competition in the Kosovo market.

For purposes of this Law, all persons being individuals or public or private legal entities, engaged in commercial activity either local or foreign provided that their activity has an impact on the national market are considered "undertakings". The prohibited conducts are related to those carried out within the territory of Kosovo or having economic effects in Kosovo.

Agreements Restricting Competition

Competition Law prohibits agreements (entered into between undertakings operating either on the same or different levels of production), decisions by an association of undertakings or concerted practices by undertakings that prevent, restrict or distort competition in Kosovo. Article 3 of the Law provides for a non exhaustive list of the prohibited agreements, decisions or concerted practice e.g. those having the purpose or effect to fix prices or other conditions of trade, limit or control production or market, share or divide market etc.

Further, the Competition Law explicitly prohibits those vertical agreements involving goods and/or services that restrict a party's freedom to determine prices and terms of agreements concluded with third parties, if it appreciably impairs the relevant market. For this purpose, the Law tries to prevent the abuse with the exclusive dealing agreements.

The provisions of the Competition Law contain also some exclusions and exemptions from such prohibition. Indicatively, the Law attribute to the KCC the power to assess if agreements such as the Agreements on Uniform Application of Standards or Business Terms, Specialization Agreements, Rationalization Agreements, Intellectual Property and

Business Secrets Agreements but also other agreements with a substantial contribution to the improvement of certain aspects of business, meet the conditions to benefit from the exemption.

Abuse of Dominant Position

A dominant position is not prohibited per se, instead the abuse of such dominant position falls under the prohibition established from the Competition Law. The Law recognizes the existence of a single (one undertaking) and collective (two or more undertakings) dominant position. An undertaking will be considered in a dominant position if it is not exposed to substantial competition or has a superior market 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 higher than 40%. Anyhow, this presumption will not be applicable if the undertaking convincingly demonstrates that it is exposed to substantial competition or that it has no superior market position in relation to its competitors. The same definition and presumption applies for determining whether there is a collective dominant position. In the latter case, the Competition Law provides for an additional presumption of the collective dominance when five or fewer undertakings hold a combined market share of 70%. For collective dominant position, the presumption will not be applicable if the undertakings convincingly demonstrate that the conditions of competition may be expected to maintain substantial competition between them or that, collectively they do not have a paramount market position in relation to their remaining competitors. Indicatively, abusive behavior of undertakings in a dominant position is considered charging prices or imposing business terms that are different from those that would likely prevail if more effective competition existed, or adopting discriminatory practices towards customers, unless there is an objective justification for such differentiation etc.

Other Restrictive Practices

The Competition Law completes the above prohibitions by indicating a variety of other practices that could have the effect to restrict the competition and as such are prohibited. Articles 16 to 19 of the Law prohibit discriminatory practices, unfair hindrance of the economic freedom of other undertakings, boycotts and binding resale price recommendations.

Recently, the Prime Minister Office has prepared a draft law to be proposed to the Parliament of Kosovo, which aims to abrogate the current Competition Law. The draft law will introduce specific rules applicable to control of concentrations.

Appendix A

Useful Addresses in Pristina

Country Code:	381
Pristina City Code:	38
General information:	Tel: 988
Ambulance:	Tel: +381 (0) 38 94 / 500 600 / 223 987
Fire Brigade:	Tel: +381 (0) 38 93 / 500 997
Police Station:	Tel: +381 (0) 38 911 / 92 / 541 277
Radio Taxis:	Tel: +381 (0) 38 555 333 / 515 151 / +377 44 111 222
Pristina Airport:	Tel: +381 (0) 38 59 58 123

Main Hotels

Grand Hotel Prishtina	Nena Tereze Str., p.n., 38000, Pristina, Tel: +381 38 220 210 / 220 211 E-mail: info@grandhotel-pr.com
Hotel Victory	Nena Tereze Str., p.n., 10000, Pristina, Tel: +381 38 543 277 / 543 267 E-mail: info@hotel-victory.com
Hotel Prishtina	Vaso Pasha Str., no. 20, 10000, Pristina, Tel: +381 38 223 284 E-mail: reservations@hotelprishtina.com
Hotel Afa	Ali Kelmendi Str., no 15, 10000, Pristina, Tel: +381 38 225 226 / 225 227 E-mail: office@hotelafa.com
Hotel Baci	Bulevardi I Deshmoreve Blvd., p.n.10000, Pristina Tel: +381 38 548 356 / 548 357 E-mail: hotel@bacicompany.com
Hotel Gorenje	Veternik Str., 10000, Pristina, Tel: +381 38 557 700 E-mail: info@hotel-gntc.com.com
Hotel Princi i Arbrit	Asllan Pireva Str., Kodra e Trimave, 10000, Pristina, Tel: +381 38 244 244 / 244 442 E-mail: info@hotel-princi-arberit.com

Hotel Dea

Velani Str., 10000, Pristina, Kosovo
Tel: +381 38 516 770 / 516 772
E-mail: info@hotel-dea.com

Restaurants

Puro

Near building Gorenje (Veternik)
Pristina, Kosovo
Tel:+381 (0) 38 545 -099

Pisha

Nene Teresa Str.
Pristina, Kosovo
Tel:+381 (0) 38 227-051

Liburnia

Meto Bajraktari Str, no. 3 Tophane
Pristina, Kosovo
Tel:+381 (0) 38 222-719

Tiffany

Fehmi Agani Str.
Pristina, Kosovo
Tel:+381 (0) 38 244 040

Pinochio

24 Maji Str. no.115
Pristina, Kosovo
Tel: + 381 (0) 44 202 952

Appendix B

List of Banks and Other Funding Agencies

ProCredit Bank Kosovo

Nena Tereze Str., No. 16, Pristina
Tel: + 381 (0) 38 555-555
Fax: + 381 (0) 38 248-777
Web: www.procreditbank-kos.com

NLB Prishtina

Nena Tereze Str., No.49/a, Pristina
Tel: + 381 (0) 38 234-111
Fax: + 381 (0) 38 744-111
Web: www.kasabank.com

Raiffeisen Bank Kosovo

UCK Str., No.51, Pristina
Tel: +381 (0) 38 222-222
Fax: +381 (0) 38 226-408
Web: www.raiffeisen-kosovo.com

TEB

Agim Ramadani Str., No 15, Pristina 10000
Tel: +381 (0) 38 230-000
Fax: +381 (0) 38 224-699
Web: www.teb-kos.com

Economic Bank

Migjeni Str, No. 1, Pristina 10000
Tel: + 381 (0) 38 225-353
Fax: + 381 (0) 38 225-454
Web: www.bekonomike.com www.bankaekonomike.com

Bank for Business

UÇK Str 41, 10000 Pristina
Tel; +381 (0) 38 244 666
Fax; + 381 (0) 38 243 656 / 657
Web: www.bpbbank.com / <http://www.bkpbank.com>

Banka Kombetare Tregtare - Prishtina Branch

Qyteza Pejton, Kosta Novakovic Str. No.9
10000 Pristina
Tel: +381 (0) 38 222 910
Fax: + 381 (0) 38 222 907
Web: www.bkt.com.al

Appendix C

Governmental Institutions

Ministry of Economy and Finance

Bill Clinton Str.,
10000, Pristina
Tel: + 381 38 540-564
Fax: + 381 38 548-673
Web: www.mfe-ks.org www.mef-ks.org

Ministry of Trade and Industry

Muharrem Fejza Str., Hospital neighborhood
10000, Pristina
Tel: + 381 38 512-164
Fax: + 381 38 512-798
Web: www.mti-ks.org

Ministry of Environment and Spatial Planning

Nazim Gafurri Str., No.31
10000, Pristina
Tel: +381 38 517-639
Fax: + 381 38 517-845
Web: www.ks-gov.net/mmph.

Ministry of Education, Science and Technology

Dardania, Block III, Musine Kokalari Str. No. 18,
Pristina
Tel: + 381 38 541-035
Fax: + 381 38 540-785
Web: www.masht-gov.net

Ministry of Labour and Social Welfare

Agim Ramadani Str. (Building of Economic Faculty)
Pristina
Tel: + 381 38 213-814
Fax: + 381 38 213-814
Web: www.ks-gov.net/mpms

Ministry of Public Services

Mother Teresa Str. (Building of GERMIA)
Pristina
Tel: + 381 38 211-014
Fax: + 381 38 211-061
Web: www.ks-gov.net/MAP

Ministry of Transport and Post-Telecommunication

Mother Teresa Str. (Building of Kosovo Assembly)

Pristina

Tel: +381 38 504-604 ext.5949

Fax: + 381 38 200-28 ext.004

Web: www.mtpt.org.mtpt.org

Ministry of Foreign Affairs

Mother Teresa Str. (Government Building), Pristina, Kosovo

Tel: +381 (0) 38 213-963

Fax: +381 (0) 38 213-985

Web: www.ks-gov.net/MPJ

Ministry of Intern Affairs

Mother Teresa Str. (Government Building), Pristina, Kosovo

Tel: +381 (0) 38 200 190 88

Web: www.mpb-ks.org

Ministry of Agriculture, Forestry and Rural Development

Mother Teresa Str., No. 35, Pristina, Kosovo

Tel: +381 (0) 38 211-821/200 384 52

Web: www.ks-gov.net/mbpzhr

Ministry of Justice

Mother Teresa Str., Building of Kosovo Assembly Pristina

Tel: +381 (0) 38 200-18-010

Web: www.md-ks.org

Ministry of Community and Return

Ex-bank of private business, Pristina

Tel: +381 (0) 38 552-047

Web: www.mkk-ks.org

Ministry of Health

Zagreb Str., Pristina 10000

Tel: +381 (0) 38 213-886

Web: www.msh-ks.org

Ministry of Culture, Youth, Sport and Nonresidential Affairs

Mother Teresa Str., Pristina, Kosovo

Tel: +381 (0) 38 211-064/211-557

Fax: +381 (0) 38 211-440

Web: www.mkrs-ks.org

Ministry of the Local Government Administration

Urata Building, Tirana Str., Pristina

Tel: +381 (0) 38 213-010

Fax: +381 (0) 38 213-904

Web: www.mapl-ks.org

Ministry of Energy

Mother Teresa Square, Pristina

Tel: +381 (0) 38 200 215 05

Web: www.ks-gov.net/mem

International Organizations

World Bank

Mujo Ulqinaku Str., No 3, 10000, Pristina

Tel: +381 (0) 38 249 459

Fax: +381 (0) 38 249 780

Web: www.worldbank.org/kosovo

United Nations Mission in Kosovo

Luan Haradinaj Str., p.n. Pristina

Tel: +381 (0) 38 504 604

Fax: +381 (0) 38 50 604 4019

Web: www.unmikonline.org

United Nations Development Programme (UNDP)

Pejton Str., No 14, Pristina

Tel: +381 (0) 38 249 066

Fax: +381 (0) 38 249-065

Web: www.ks.undp.org

Organization for Security and Co-operation in Europe (OSCE)

Luan Haradinaj Str., p.n. Pristina

Tel: +381 (0) 38 500 162

Fax: +381 (0) 38 240-711

Web: www.osce.org/kosovo

European Commission Office in Kosovo

Kosovo Str. 1 (P.O. Box 331), Pristina

Tel: +381 38 51 31 200

Fax: +381 38 51 31 305

Web: www.delprn.ec.europa.eu

International Organization for Migration

Rr. Ismail Qemajli, Arberia II, 1000, Pristina

Tel: +381 (0) 38 249 042 / 249 041

Fax: +381 (0) 38 249-039

Web: www.iomkosovo.org

Appendix D

Corporate Income Tax Return

[1] Tax Period (YYYY)

[2] Serial No.: CIT

[3] Business Registration Number

--	--	--	--	--	--	--	--	--	--

[4] Taxpayer Name

--

[5] Taxpayer's Address

(If different from last form)

--

[6] Owner

--

Tel:

--

[7] Manager

--

Tel:

--

[8] Accountant/Bookkeeper

--

Tel:

--

[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

Signature and Stamp Date ___/___/___	Account Number:	[10] Amount of Tax paid
---	-----------------	-------------------------

10] Net profit (loss) as per financial statements	[10]
---	------

Adjustments to Income

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

Adjustments to Expenses

[18] Non-deductible 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 (business loss) after adjustments to expenses (line 17 - line 27)	[28]
[29] Charitable contributions (attach receipts)	[29]
[30] Loss carried forward (refer to the guide)	[30]
[31] Add lines 29 and 30	[31]
[32] Adjusted profit before rate adjustment (line 28 - line 31)	[32]
[33] Rate adjustment (NGO-s only)	[33]

[34] Net profit (loss) (line 32 x line 33)

[34]

Refund or Amount Due

[35] Corporate income tax (If line 34 is a profit, multiply by 20%. If line 34 is a loss, enter 0).

[35]

[36] Foreign states tax credit (schedule O)

[36]

[37] Tax withheld on dividends, interest, royalties and rent by resident payers (schedule P) –attach certificates

[37]

[38] Installments paid (Schedule Q)

[38]

[39] Total credits (add lines 36, 37 and 38)

[39]

[40] Line 35 less line 39

[40]

If the result on line 40 is (+), you have an Amount Due. If the result on line 40 is (-), you have a refund. Write the amount in the appropriate box.

[41] Amount Due

[41]

[42] Refund

[42]

[43] Bank Name

--

[44] Account Holder

--

[45] Account Number

--

I declare that the facts reported in this tax declaration are true.

Name and signature of authorized person

(_____)

dd.mm.yyyy

__ . __ . __

Appendix E

Balance Sheet

As at 31 December 200X

		<i>In thousands of EUR</i>	
	<i>Note</i>	200X	200(X-1)
Assets			
Cash and cash equivalents	1		
Bank deposits			
Trade receivables	2		
Inventories	3		
Prepayments for current assets	4		
Total current assets			
Property, plant and equipment	5		
Financial leasing	6		
Investments	7		
Total non-current assets			
Total assets			
Liabilities			
Bank overdraft			
Trade payables	8		
Accrued expenses	9		
Current portion of financial leasing	10		
Payable dividends	11		
Current tax payables	12		

Total current liabilities

Non-current loans and borrowings	13
Financial leasing	14

Total non-current liabilities

Total liabilities

Equity

Share capital	15
Reserves	16
Retained earnings	17

Total equity

Total equity and liabilities

Income Statement

For the year ended 31 December 200X

	Note	<i>In thousands of EUR</i>	
		200X	200(X-1)
Sales	18		
(discounts)			
(returned sales)			
Net revenue			
Cost of sales	19		
Gross profit			
Operating expenses			
Distribution expenses			
Employees costs			
Commissions			
Advertising expenses			
Depreciation of sales equipment	20		

Administrative expenses

Employees costs	
Bad debts expenses	
Stationeries	
Depreciation of office equipment	20
Depreciation of buildings	20
Insurance premiums	
Other expense	

Results from operating activities

Other income

Income from dividends	
Income from interest	

Other expenses

Interest expense	
Income tax expense	21

Net profit for the period

CASH FLOW

Indirect method

For the year ending 31 December 200X

In thousands of EUR

200X 200(x-1)

Cash flow from operating activities

Profit before taxation

Adjustments for:

Depreciation
Foreign exchange loss
Investment income

Interest expenses
Increase/decrease in trade and other
receivables
Increase/decrease in inventories
Increase/decrease in trade payables

Cash generated from operations

Interest paid
Income tax paid

Net cash from operating activities

Cash flow from investing activities

Acquisition of subsidiary X net of cash acquired
Purchase of property, plant and equipment
Proceeds from sale of equipment
Interest received
Dividends received

Net cash used in investing activities

Cash flow from financing activities

Proceeds from issue of share capital
Proceeds from long-term borrowing
Payment of finance lease liabilities
Dividends paid

Net cash used in financing activities

Net increase/decrease in cash and cash equivalent

Cash and cash equivalent at beginning of the period

Cash and cash equivalent at end of the period

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 200X

In thousands of EUR

	Share capital	Premiums	Legal and statutory reserves	Retained earnings	Total equity
Balance at 31 December 200X-2					
Changes in accounting policy					
Restated balance					
Net profit of the current year					
Dividends paid					
Increase of reserves					
Issuance of shares					
Balance at 31 December 200X-1					
Net profit of the cur- rent year					
Dividends paid					
Issuance of shares					
Balance at 31 December 200X					

Appendix F

Annual Declaration and Payment Form for Personal Income Tax

[1] Tax Period: [1] [2] Serial Number: [2]PI

[3] UNMIK PN/Individual TaxpayerNumber: [3]

[4] Taxpayer's Name [4]

[5] Taxpayer's Address [5]
(if different from last form)

[6] Telephone [6]

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

Addition Correction Payment Only

Gross Income

[8]Gross Wages	[8]
[9]Gross Business Income	[9]
[10]Profit Shares from Partnerships	[10]
[11]Gross Rents	[11]
[12]Gross Income form Pension Payments	[12]
[13]Gross Interest Income	[13]
[14]Gross Dividend Income	[14]
[15]Gross Lottery Winnings	[15]
[16]Gross Income from Intangible Property	[16]
[17]Capital Gains (suspended till 2010)	[17]
[18]Foreign Source Income	[18]

[19] Other Income (Specify)	[19]	
[20] Total Gross Income (add 8 to 19)		[20]

Allowed Expenses

[21] Business expenses, actual or 25% of business income	[21]	
[22] Expenses related to rental income-actual or 20% of gross rent	[22]	
[23] Pension contributions made by taxpayer on own behalf	[23]	
[24] Expenses related to income from intangible property	[24]	
[25] Other allowed expenses (Specify)	[25]	
[26] Total Allowed Expenses (add 21 to 25)		[26]
[27] Taxable amount (20-26)- if negative enter the amount in brackets		[27]

Deductions

[28] Losses Carried Forward	[28]	
[29] Deduction for Charitable Contributions (max 5% of [27]) (Only for taxpayers who pay tax on real income)	[29]	
[30] Total Deductions (28+29)		[30]
[31] Taxable Income before tax [27]-[30](if negative enter in brackets)		[31]
[32] Tax on Taxable Income as per tax brackets (if negative enter 0)		[32]

Tax Paid and/or withheld during the year

[33] Quarterly advance payments on business income	[33]	
[34] Quarterly advance payments on rental income and intangible property	[34]	
[35] Tax on wages withheld by employers	[35]	
[36] Tax on interests withheld by banks (attach certificates)	[36]	
[37] Tax on dividends withheld by companies (attach certificates)	[37]	
[38] Tax Withheld on rents by non-individual tenants (attach certificates)	[38]	
[39] Tax Withheld on lottery gains (attach certificates)	[39]	
[40] Foreign Tax Credit (attach certificates)	[40]	
[41] Total Tax Paid or Withheld (add 33 to 40)		[41]
[42] Total Tax Payable [42]=[32]-[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**. Enter the amount in the appropriate box.

[43] Amount Due

[43]

[44] Refund

[44]

[45] Bank Name

[46] Account Holder

[47] Account Number

I declare that facts reported in this tax declaration are true.

Dd/mm/yyyy

(_____)

___/___/___

BOGA & ASSOCIATES

LEGAL • TAX • ACCOUNTING

Firm overview and services in Albania and Kosovo

Boga & Associates, established in 1994, has emerged as one of the premiere law firms in Albania, earning a reputation for providing the highest quality legal services to its clients. Boga & Associates also operates in Kosovo (Pristina) offering full range of services.

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. The extensive foreign language capabilities of the team help to ensure that its international clientele have easy access to the expanding Albanian and Kosovo business environment.

Boga & Associates represents a broad spectrum of high-profile clients, including telecommunication entities, financial institutions, airlines, industrial complexes, energy, mining and petroleum concerns, non-profit organizations, embassies, public utilities, commercial companies, international and governmental agencies. The firm has also an outstanding litigation practice, representing clients on all levels of Albanian courts. This same know-how and experience has been drawn upon by the Legislature in the drafting of new laws and regulations.

The firm offers its clients all the legal, tax and accounting services required to conduct business in Albania and Kosovo, effectively. Over the years the firm has advised in the areas of privatization of national resources and enterprises, concessions, real estate transactions, setting up businesses, credit facilities and custom and tax issues, all with a keen sensitivity to the rapid changes in the Albanian business environment.

Contributor to International Publications

Boga & Associates acts as World Bank's local partner on yearly publication of Doing Business that benchmarks Albanian's business regulation. The firm is a contributor for Albania to International Law Office, a global source of analysis and legal developments to lawyers worldwide, and the correspondent for Albania of International Bureau of Fiscal Documentation (IBFD) that operates on authoritative expertise on cross-border taxation.

Boga & Associates is also a contributor to Global Legal Group for publications in relation with the International Comparative Legal Guide to several areas of practice, Getting the Deal Through for the Tax on Inbound Investments, and to IP Media Group for publications in World Trademark Review magazine.

Memberships

Boga & Associates has joined World Services Group (WSG) a global associations of top providers of professional business services, as the exclusive law firm for Albania. The firm is a member of Meritas, a global alliance of independent, full service law firms distinguished by quality.

Rankings

In 2007, 2008 and 2009, Chambers and Partners an international legal market ranking company awarded Boga & Associates as the best law firm in Albania on Business Law, Dispute Resolution, Real Estate, Intellectual Property and Projects. Boga & Associates also ranked first among Albanian law firms on financial and corporate law, according to International Financial Law Review ranking (IFLR 1000 Edition 2010).

Pro Bono

Besides its commitment to clients' needs, Boga & Associates is also devoted to charitable activities and has provided pro bono legal services to the Albanian Children's Foundation, Youth Albanian Parcel Services, American Chamber of Commerce, and the National Olympic Committee, to name but a few

Legal

- Business Law
- Banking and Financial Law
- Competition Law
- Construction Law
- Employment Law
- Entertainment/Telecommunication Law
- Energy, Power and Utilities
- Environmental and Land Use Law
- Intellectual Property Law
- Litigation
- Procurement Law
- Real Estate Law

Tax

- Tax Advice
- Tax Audit Services
- Tax Compliance

Accounting

- Bookkeeping services
- Accounting advice
- Forensic services

