



BOGA & ASSOCIATES

LEGAL • TAX • ACCOUNTING

Investment in Kosovo

2008

October edition

BOGA & ASSOCIATES

LEGAL • TAX • ACCOUNTING

Investment in Kosovo

2008

October edition

2nd edition

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. 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. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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 October 2008 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.

For further information or inquires on any matters discussed in this publication, please contact Boga & Associates:

Managing Partner
Genc Boga

Boga & Associates
Deshmoret e 4 Shkurtit
P.O. Box 8264
[Tirana, Albania](#)

Telephone: +355 42 251050 / +355 42 251022
Fax: +355 42 251055

Nena Tereze str.
Entry 30, No. 5
[Pristina, Kosovo](#)

Telephone: +381 38 223 152
Fax: +381 38 223 153

boga@bogalaw.com

www.bogalaw.com

Content

Chapter 1	General Information	7
	Geography and Climate	7
	Population and Language	7
	Currency	8
	Government and Political System	8
	A Brief History of Kosovo	9
	Visa System for Foreigners Traveling to Kosovo	9
	Residence of Foreigners	10
	Accommodation	10
	Working Hours	10
	Airport and Telecommunication	11
Chapter 2	Economic Survey	13
	Key Indicators	13
	Financial Sector	16
	Other financial institutions	19
	Trade	21
Chapter 3	Opportunities for International Investors	25
	Energy and mining	25
	Agriculture Potentials	25
	Location Advantage	26
	Privatization	26
Chapter 4	Business Law	27
	Types of Business Entities	27
	Accounting Regulations	29
	Financial Statements and Certification Requirements	30
	Audit Requirements	30
Chapter 5	Taxation of Businesses	31
	General	31
	Residency	31
	Corporate Income Tax	31
	Withholding Tax	33
	Double Taxation Avoidance Treaties	34
	Indirect Taxes	34

Chapter 6	Taxation of Individuals	37
	General	37
	Residency	37
	Taxable Income	37
	Tax exempt Income	37
	Personal Income Tax Rate	38
	Pension Contributions	38
	Taxes on Individual Business Activities	38
Chapter 7	Labour Law	41
	General Issues	41
	Working Conditions	41
	Employment Contracts	42
	Holidays/ Paid Leave	43
Chapter 8	Acquisition and Registration of Immovable Property	45
	Registration of Immovable Property	45
	Land acquisition and related matters	46
	Land lease	46
Chapter 9	Government Controls	47
	Competition Law	47
	Agreements restricting Competition	47
	Abuse of dominant position	48
	Other restrictive practices	48
	Appendixes	49
	A . Useful Addresses	49
	B . List of Banks and other funding agencies	51
	C . Government Institutions & International Organizations	53
	D . Corporate Income Tax return	56
	E . Financial Statements Format	59
	F . Annual declaration and payment form for personal income tax	63

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 FYROM.

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 of the province, 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, while other big cities are Prizren, Peja, Mitrovica, Gjilan, Ferizaj, Gjakova etc.

Population and Language

Kosovo's population estimates 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.

The majority of the population is composed by ethnic Albanians while the largest minority is Serbian. Other ethnic groups including Bosnian, Turks, Roma, Gorans constitute a small fraction of the population. The current population is one of the youngest in Europe with around 40 % percent of the population below the age of 20 years old.

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.

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. Today, Euro is the most widely used currency in Kosovo.

Government and Political 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 deputies is elected every four years through general election. According 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 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 16 February 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.

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. Under German and Albanian influence during the Second World War, its place in Yugoslavia was reaffirmed after the conflict. Kosovo became a province in the Socialist Republic of Yugoslavia (SFRY), and enjoyed a certain degree of autonomy from 1974-90 within SFRY and Serbia. The Yugoslav Republic 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 the Province.

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 17 February 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.

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.

There are ten land border crossings into Kosovo, which are:

- 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 of foreigners

All the foreigners that do not belong to the group of persons who:

- Hold an UNMIK Travel Document ;
- Hold an ID card as habitual resident of Kosovo;
- Depends under 18/ spouse of the above mentioned group;
- Are authorized to reside indefinitely in Kosovo by the relevant governmental authority based on guidelines and rules established by the Government in coordination with UNMIK;
- Hold a travel document or identity card of the State Union of Serbia and Montenegro;
- Are a member of UNMIK or KFOR personnel;
- Are official of the United Nations or an expert on mission for the United Nations;
- Are an official of an international intergovernmental organization with an established office in Kosovo or a liaison office of a foreign government in Kosovo;
- Staff members of Ombudspersons institute;

must request an extension to stay in Kosovo beyond 90 days in the Office for the Registration of Foreigners, 15 day before the expiry of the current authorization to stay. The extension is granted for the same term of 90 days. To apply for extension to stay in Kosovo a foreigner must submit the following requirements to the Office for the Registration of Foreigners:

- A valid passport;
- Supply evidence of the identity of each accompanying family member on whose behalf the application is also made;
- Answer questions concerning the reasons of stay in Kosovo;
- Any supporting documentation to the above.

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 Kosovar cuisine and 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 08.00-16.30.

Airport and telecommunication

The only civil airport in Kosovo is Pristina Airport. It is a 20 minute 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.

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, with comparable prices 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. Although the GDP growth reached 3.0% for 2006, Kosovo's economy is still in an emerging stage of its development.

While in 2004 real GDP growth was 4.0%, in 2005 it experienced a negative growth of 0.2%.

The main driver to the GDP growth was private demand which in 2005 made up 102% of GDP (including net exports) or 2 % higher compared with 2004, and hence contributed with 5.9 % to the GDP growth in 2005.

Within the structure of private demand, private consumption remains the largest component (83 % of GDP), contributing with 3.6 % to the GDP growth while the corresponding contribution for the private investments was 2.3 p.p. (20% of GDP).

During 2006 Kosovo economy recovered from the previous year stagnation, while signing an estimated real GDP growth of 3%. Unlike the government fuelled growth recorded in 2004, the growth in 2006 was supported exclusively from the private sector investments, mainly banking loaning and foreign direct investments, according to Central Banking Authority of Kosovo. The price level in Kosovo remains stable, mainly because of Euro.

Economic Indicators

Inflation rate in 2006 remained at round 0, 7 %, which is lower than the average of South East Europe countries.

The increase in the private sector is supported from both, consumption and investments. While consumption grew at a slower pace by 4.1%, the private investments in 2006 boosted with 32.9%.

The private sector investment increased their share to GDP to 22.4%, representing historical peak. The donor sector in 2006 declined to EUR 448 million from EUR 1.143 billion in 2000, time when it represented 70 % of the GDP, while in 2006 it reaches round 20% of GDP.

Table 1

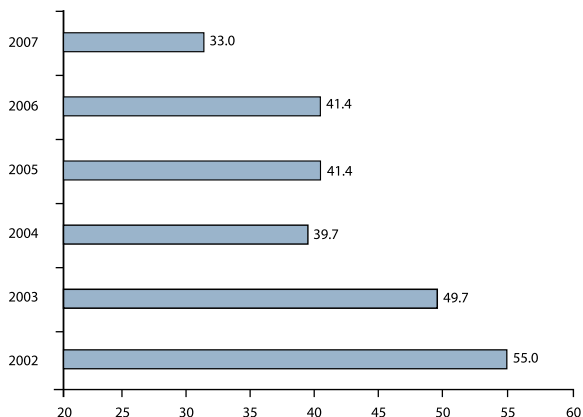
	2003	2004	2005	2006	2007
GDP (in millions of EUR)	1,797	2,282	2,238	2,270	2,303
GDP per capita (in EUR)	930	1,161	1,120	1,117	1,114
GNDI per capita (in EUR)	1,118	1,285	1,275	1,294	1,319
<i>Growth Rate (%)</i>					
Real GDP	2.6	2.1	0.3	3.0	0.7
Retail prices (avg.)	1.1	-1.1	-1.5	0.7	4.5
<i>Savings-Investment Balance (in % of GDP)</i>					
Domestic Savings	-28.2	-21.6	-24.7	-26.1	-21.4
Remittances	13.4	9.4	12.6	14.0	17.8
Factor income from/to abroad	-	1.2	1.3	1.8	0.6
National Savings	-	-11.0	-10.9	-10.2	-3.0
Investment	22.3	25.1	26.0	29.4	34.4
Foreign assistance	40.7	24.8	21.9	20.5	16.3
Current account balance	-15.8	-11.3	-15.0	-19.1	-21.1

Source: IMF, *Aide Mèmoire (February 2007)*, Central Banking Authority of Kosovo

Unemployment in Kosovo remains high. Even though it has been decreasing slightly during the years it still remains at the highest rate among the region, at 41.4% for 2006. Round 46.7% of the unemployed are females. The jobseekers aged 25-39 constitute the dominant share of job seekers (44.1%).

Unemployment during years

Graph 1



Source: Labor Market Statistics 2005, Annual report 2007 (CBAK)

Fiscal Indicators

Due to the absence of the borrowing capacities, both domestically and internationally, as well as the lack of instruments to finance the budget deficit, the Government shall pursue tight fiscal policies, in order to maintain a budget deficit which could be financed with the fiscal surpluses accumulated in the early 2000s. The execution of the 2006 budget shows a surplus of 3,4 % of GDP, (refer to Table 2). The budget surplus resulted from additional revenues and a large under-spending of budget capital expenditures. Only 70% of the planned capital expenditures were spent.

Kosovo's fiscal policies are based on a modern tax system. The budget revenues have reached at around 30% of GDP, making Kosovo to compare well with other countries in the region.

The largest share of the consolidated budget revenues comes from taxes, representing 87%, of total revenues, followed by non-tax revenues and municipality collected taxes with 8% and 5%, respectively.

Table 2

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

Source: Ministry of Finance, IMF, Central Banking Authority of Kosovo.

* estimates

Financial Sector

Financial Sector in Kosovo continues to be dominated by commercial banks that manage about 89.0% of the total financial sector assets and the structure did not experience any substantial change. The remainder of the assets is shared between insurance companies (5%), other financial intermediaries (5%) and pension funds (1%).

In June 2007 financial sector assets (excluding CBAK), amounted at EUR 1.4 billion, an annual increase of 16.8%, which is lower than the annual growth recorded in June 2006 (19.1%).

Central Bank

To insure order, control and proper supervision within the financial sector, the Banking and Payments Authority (BPK) was established in November 1999. The Banking and Payments Authority of Kosovo (BPK) was established and operates 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 Constitutions recognizes the creation of Central Bank of Kosovo, as in independent institution reporting to the Assembly of Kosovo.

Banking Industry Composition

Kosovo banking system being in its sixth year of operation has undergone significant changes. Before the beginning of year 2000, Kosovo was almost an entirely cash based economy whereas in 2004 it reached about 50% of broad money liabilities channeling through the banking system. Deposits increased from less than 10% in 2000 to 36 % in 2004 and so did the volume of outstanding credit in the private sector.

Based on statistics dating June 2007 the banking sector in Kosovo consisted of six banks operating through 231 banking units throughout Kosovo. The ownership structure of the banking sector in Kosovo, in terms of the number of the foreign banks in total 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 2006

Table3

Country	Foreign banks	Domestic banks	Total
Albania	15	2	17
Bosnia & Herzegovina	22	10	32
Croatia	14	20	34
FYROM	11	11	19
Montenegro	7	3	10
Serbia	17	23	40
Slovenia	10	15	25
Kosovo*	7	2	6

Source: EBRD Transition Report (2007) and CBAK (2007)

The banks are focused in traditional banking activities and their services are limited to the activities related to deposits and loans.

About 30% of the branching network, including the head offices is concentrated in Pristina, followed by Gjilan region with 22, 3% or 49 units, while other units are somehow evenly spread among three remaining main regions: Peja, Prizren and Mitrovica.

Three banks currently have borrowings agreements with Kreditanstalt für Wiederaufbau's (KfW) for longer periods of time (3 to 5 years), which provides a source of funds for longer-term loans.

The following Table 4 presents the structure of financial institution operating through the years.

Table 4

	2003	2004	2005	2006**
	<i>Cumulative</i>			
Commercial Banks	7	7	7	6
Insurance Companies	6	7	8	8
Pension Funds	7	7	7	5
Other Financial Intermediaries	15	17	20	21
Financial Auxiliaries	6	6	9	15

Source: Structure of Financial Sector (June 2006) CBAK

* Data for Kosovo are as of June 2007

** June 2006

The banking system reported a positive net result for the 2006 year of ALL 7.45 billion or about 12.9 percent higher than the previous year. Relative to the GDP, this amount translates to 0.83 percent versus 0.79 percent of the previous year. Following is a table summarizing financial results and profitability ratios for the Kosovo banking system.

Table 5

	2003	2004	2005	2006	2007*
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
ROE	18.80	22.60	20.10	24.7	27.7

Source: Central Banking Authority of Kosovo

Interest rates for deposits in June 2007 stood at 2.46%, which increased by 0.43 pp compared to June 2006.

Increase is noticed also in interest rates for loans that increased by 0.33 pp compared to June 2006, reaching 14.84% in June 2007.

The overall interest rate spread in June 2007 declined to 12.38pp from 12.48pp in June 2006. Decline of the interest rate spread is due to a higher increase in the interest rate for deposits than in the interest rate for loans. Details are presented at the table below.

Table 6

Interest Rate Description**	Dec 2004	Jun 2005	Dec 2005	Jun 2006	Dec 2006	Jun 2007
DEPOSIT rates	2.38	2.25	2.64	2.03	2.32	2.46
Non financial corporation	3.00	3.18	3.23	2.53	3.19	3.33
Households	2.05	2.00	2.24	1.98	2.06	2.10
LOAN rates	15.72	15.11	14.47	14.52	14.70	14.84
Nonfinancial corporations	16.04	15.73	14.87	14.93	14.97	15.38
Households	12.53	12.74	11.51	12.56	12.48	13.14
Overall Interest Rate Spread	13.34	12.86	11.83	12.48	12.37	12.38

Source: CBAK Bulletin "Structure of Financial Sector", 2008

* Data as for June 2007(annualized)

** Weighted average among different products

Loans and deposits

Loans of the banking sector reached EUR 784.4 million in June 2007, signing an increase of 27.1 % compared to same period 2006. The increase in loans has mainly resulted from the expansion of the three largest banks and the growth of loans to Non-Financial Corporations. Non financial corporation absorb the largest share of banking sector loans of over 78% of total loans, meanwhile loans to households reach at 21.7% of the total loans. The share of household loans to total loans in Kosovo is the lowest in the region. This is mainly due to the high level of interest rates and also of high level of unemployment persisting in Kosovo.

Services remain the most credited sector by banks in Kosovo, consisting mainly on trade sector loans. Production sector absorbed 11.7% of total loans to industry meanwhile construction sector absorbed 7.4% of total loans to the production sector in June 2007. Loans extended to the agriculture sector accounted only for 4.0% from the total.

Banking sector deposits amounted at EUR 981.5 million in June 2007 signing an increase of 16 % compared to June 2006. Banking sector deposits are held mainly in euro currency (95.3% of total deposits, as of June 2007).

Deposits of the banking sector consist mainly of household deposits that composed 60.0% of total deposits. Non financial corporation deposits represent the second largest source of banking sector deposits reaching round 30% of total deposits.

Other financial institutions

Insurance Companies

There are nine insurance companies operating in Kosovo. Insurance market continued to grow in 2007, while all companies are still limited only to non-life insurance services. Compulsory insurance and TPL policies remain the main activities offered in the Kosovo insurance market.

From the ownership point of view foreign companies hold the largest market share in the sector, accounting for 73.0% of total insurance companies assets.

The annual growth of total assets of the insurance companies was 29.5% in June 2007, compared to an annual decline of 7.5% in June 2006 against June 2005. Amounting at EUR 24.9 million, premiums received grew annually by 5.8%. Paid claims on the other hand grew by 20.9%, amounting to EUR 6.1 million in June 2007, indicating an increase of 24.5% in the ratio of paid claims to premiums (Graph 2).

TPL policies accumulated 75.1% of the total premiums received, marking an annual increase of 3.3%. In the category of claims paid, TPL again represent the largest category with 89.9% (annual increase of 19.9%).



Source: CBAK Bulletin "Structure of Financial Sector", 2008

Pension Funds and Other Financial Intermediaries

The two Kosovo's Pension Funds assets amounted at EUR 10.2 million in June 2007, recording an annual decrease of 7.0%. These funds are organized as supplementary scheme that some employers on voluntary basis pay pension for their employees.

Investments on these pensions funds are made mainly in mutual funds investments (63.8% of total pension fund assets), as well as in bonds (34.6% of total assets).

Growing by 22.4% in June 2007 over June 2006, assets of Other Financial Institutions amounted at EUR 68.4 million (EUR 55.8 million in June 2006). Currently, there are 16 Micro Financing Institutions operating in Kosovo, and their main funding remains the external donations. These institutions mainly lend to the micro businesses sector and partially to households.

Trade

Kosovo signed and ratified the Central European Free Trade Agreement (CEFTA) together with Albania, Bosnia & Herzegovina, Moldova, Montenegro and Serbia. Trade in goods between Kosovo and the rest of the world expanded in 2006 by 14.8% reaching EUR 1,362.7 million. Imports compose the majority of the total trade with 91.9%, while exports represent only 8.1% of total trade.

Table 7

Principal exports 2006	% of Total	Principal imports 2006	% of Total
Base metals articles	48.0	Base metals articles	9.4
Mineral products	17.0	Mineral products	18.5
Machinery and electrical materials	6.9	Machinery and electrical materials	11.7
Leather and their articles	6.5	Leather and their articles	0.2
Beverages and tobacco	5.6	Beverages and tobacco	13.8
Vegetable products	4.6	Vegetable products	5.6
Plastics, rubber and articles thereof	2.9	Plastics, rubber and articles thereof	4.6
Transport means	1.3	Transport means	6.1
Other	7.2	Other	30.1

Source: *Balance of Payment of Kosovo (2006) CBAK*

Geography of Trade in 2006

Neighboring countries, member of CEFRTA and EU countries remain the main trading partners of Kosovo. CEFTA countries absorbed 46.7% (EUR 51.7 million) of total exports, representing the largest foreign market for Kosovo goods. In terms of exports to individual countries, Serbia represents the largest market (18.9% of total Kosovo exports) in 2006.

The data on external trade reveal that during the first quarter of 2006 imports decreased by 0.7% compared with the same period last year while exports recorded an increase by 45.3% compared with the first quarter of 2005. Consequently, although it is still low, the coverage of imports by exports increased by 1.3 percentage points compared with the last quarter of 2005 or 1.9 percentage points compared with the first quarter of 2005, reaching 6.0% at the end of March 2006.

The following table presents the pattern of trade activity by region and country in 2006. (Table 8)

Exports and Imports by Trading Partners, share to total

Table 8

Description	Exports 2006	Imports 2006
Total EU	38.2	34.8
CEFTA	46.7	41.1
Albania	11.4	1.8
Bosnia & Herzegovina	4.6	1.4
Croatia	1.0	2.1
Montenegro	2.0	1.4
FYROM	8.8	19.7
Serbia	18.9	14.6
Other	15.1	24.1

Source: Balance of Payment of Kosovo, CBAK

Exports

During the first quarter of 2006, exports amounted to EUR 13.9 million which corresponds to an increase by 45.3% compared with the same quarter of 2005 or a decrease by 6.3% compared with the last quarter of 2005.

With regard to the destination of the exported goods, during the first quarter of 2006 the largest amount of exports was directed towards EU countries which accounted for 28.5% of total exports. Within the EU member countries, Italy with 11.8% of total exports represented the largest share followed by Germany (6.4%) and Greece (3.5%) which might partly be the result of the use of the same currency. Similarly, a large amount of exports was directed towards Serbia and Montenegro which during the first quarter of 2006 represented 24.5% of total exports. On the other hand, Macedonia and Bosnia and Herzegovina accounted for 9.5% and 7.5%. Exports to Albania reached 8.5% of total exports, which might be as a result of the effect of the free trade agreement effective from September 2003.

Imports

The amount of imports during the first quarter of 2006 attained EUR 231.6 million, decreasing slightly, while the decrease in imports was more pronounced compared with the last quarter of 2006 which was 27.1%.

With regard to the structure of imports by the country of origin of goods, the largest share belongs to the EU countries. In particular, EU member countries accounted for 34.4%. Within the EU member countries, Germany accounts for the largest share of imports (10.9%). The share of imports to Macedonia experienced a pronounced increase and at the end of the first quarter of 2006 accounted for 21.4% of total imports, whereas the share of imports from Serbia and Montenegro increased to 14.0% of total imports. Imports from other countries have comparable shares ranging from around 2.0% to 9.0% of total imports.

Chapter 3

Opportunities for International Investors

Energy and mining

The energy and mining industries represent the largest potentials to improve Kosovo's economy. With the construction of an additional 1000MW of power generating capacity (this is certainly not the upper limit), Kosovo would increase its GDP by EUR 220 million or 17% of its current estimated GDP, the governmental authorities have evaluated.

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 Euro/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 2000 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 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. Currently, the Trepca mining company owns the deposits of these two ores.

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 1.1million 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.

Location advantage

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

Table 9

Regional centre	Travelling distance from pristina (km)
Skopje	86
Thessaloniki (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)

Privatization

The process of privatization in Kosovo is being administered by the Kosovo Trust Agency (KTA). The KTA has been established in 2002, in compliance with the UNMIK regulation no. 2002/12, aiming to preserve or enhance the value, viability, and corporate governance of socially owned (SOE) and public enterprises (POE) in Kosovo.

The main objective of KTA is to privatize SOE's and administer with POE's. The process of privatization is being implemented through the method of spin-off and voluntary liquidation.

Chapter 4

Business Law

Types of Business Entities

The foreign investor has numerous options available for organizing business operations in Kosovo. According to UNMIK Regulations no. 2006/1 and no. 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 Business Register in Kosovo are as follows:

- 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 companies, foreign entities may also conduct business in Kosovo through a branch office. A branch office serves the purpose of carrying out business activities of a company or an individual merchant outside the location of their registered office. A branch office is not a separate legal entity. Consequently, its rights and obligations pertain to the "parent" company and not to the branch office. A branch office may be established after its registration at the Registry as a Foreign Business Organization.

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 seize able 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 of 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.

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) are liable without limitation for the debts of the limited partnership. The limited partner(s) are liable only to the extent of their contributions to the limited partnership.

A limited partnership shall come to existence only upon registration to 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, the shares of which are distributed only to its founders or 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 form a limited liability company is EUR 2,500. Each entity must comply with legal requirements detailed in Regulations 2001/6 and 2008/26 on Business Organizations. Foreign entities are permitted to own and participate in of the above.

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 regulation and the written consent of the registered agent to serve in such capacity.

Joint-Stock Companies

A corporation, the shares of which may be transferred by the owner(s) without of the approval of other shareholders or the company. A joint-stock company may have any number and classes of shareholders. It may conduct a public offering of its shares pursuant to such conditions as the law may require. The minimum investment required to form 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 a founder shall sign and submit to the Registry the standard application form, the charter of the company, copy of the 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.

Foreign Business Organizations

Foreign business organizations may engage in business activity in Kosovo by registering their branch office to the Registry as “Foreign Business Organizations.” 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.

To establish a branch in Kosovo an authorized person of the foreign business organization should sign and submit a standard application form, a “foreign business organization memorandum” containing information and details about the organization, capital structure and purpose of the parent company and of the branch, the registration certificate of the parent company in the jurisdiction of incorporation and the charter of the parent company. In the case of a wholly owned subsidiary in Kosovo, a new company incorporated under the provision of the Kosovo legislation, should be established.

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 the Issuance of 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 Accounting*
- 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
- 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

* KAS 4 has been withdrawn and is substituted with KAS 3 and 15

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 tax 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.

Residency

A person is considered resident 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 UNMIK Regulation 2004/51 On Corporate Income Tax.

Companies conducting business in Kosovo are subject to corporate income tax at a rate of 20 percent.

Taxpayers 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) sixteen percent (16%) of gross income resulting from rent of properties.

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.

Regulation no. 2004/51 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;
- bad debts that do not meet the following cumulative conditions: (i) the amount that corresponds to the debt has previously been included in income and (ii) the debt is written off from the taxpayer's books and (iii) there is adequate evidence of substantial unsuccessful attempts made by the taxpayer to collect the debt;
- income tax;
- deductible and/or reimbursable value added tax;
- contributions made for humanitarian, health, education, religious, scientific, cultural, environmental protection and sports purposes, which exceed five percent (5%) of taxable income (before the deduction of such expenses);
- representation costs (these include publicity, advertising, entertainment and representation), which exceed two percent (2%) of total gross income.

Depreciation

The owner of the asset is entitled to the depreciation allowances. In case of finance 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 tax period.

Category 1- Buildings and other construction structures are depreciated 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 15% rate.

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 shall 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 impairment.

Reserves and Provisions

Reserves are not allowable deductions for tax purposes, except for the reserves and provisions of banks and insurance companies, as required by the respective regulatory authorities.

Incentives

Special Allowance for New Assets

If a taxpayer purchases any asset belonging to Category 3 (mentioned above) for the purpose of its business activity between 1 January 2005 and 31 December 2008, 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 allowable depreciation deduction. The deduction must be allowed only if the asset is new or is used in Kosovo for the first time.

Losses

Losses may be carried forward for seven consecutive years.

Foreign Tax Credit

Income taxes paid abroad by Kosovo residents are deductible from tax amounts due in Kosovo in accordance with the provisions of Regulation no. 2004/51.

Special Treatment of Insurance Companies

Companies whose principal activity is the insurance or reinsurance of life, property, or other risks, pay the tax at seven percent (7%) rate of the gross premiums accrued during the tax period, instead of the corporate income tax.

Withholding Tax

Dividends

- Dividends are subject to final withholding tax at 20 percent rate, except for dividends distributed to a resident taxpayer, registered for corporate income tax purposes.

Interest and Royalties

- Interest and royalties are subject to final withholding tax at 20 percent rate.

Rent

- Rent payments are subject to withholding tax at 16 percent rate.

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, the 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 tax 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.

From 1st January 2006 Kosovo has entered into an agreement “For the avoidance of double taxation with respect to taxes on income and on capital” with the Republic of Albania. 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 15 percent.

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 UNMIK 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 shall be 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; and
- imports and supplies of several agricultural products.

Local Taxes

Tax on real estate

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 tax 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, government 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;
- The United Nations or any of its organs including UNMIK, the specialized agencies of the United Nations, KFOR, international inter-governmental organizations and government 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 UNMIK Regulation On Personal Income Tax (No. 2004/52) all individuals are liable to income tax. While residents pay tax on all taxable income sources, non-residents pay tax only on income generated within the territory of Kosovo. Residents are considered to be persons who stay in Kosovo, in aggregate for a period or periods exceeding 183 days in a tax year.

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

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 also 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.

Personal income tax rates

Wages, salaries and other compensation for employees will be taxed as follow in Table 10.

Table 10

Threshold (annual compensation in Euro)		Income tax
0	960	0%
961	3,000	5% of the amount over EUR 960
3,001	5,400	Euro 102 + 10% of the amount over EUR 3,000
5,401	and over	Euro 342 + 20% of the amount over EUR 5,400

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;
- Dividends;
- Lottery or other gambling;
- Income from intangible property;
- Taxpayers whose taxable income is less than EUR 1,000.

Pension Contributions

As per Regulation No. 2001/35 On Pensions in Kosovo 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 business activities up to EUR 5,000, the amount of each quarterly payment of the tax is EUR 37,5,
- 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:

(i) three percent (3%) of income resulting from activities of trade, transport, agricultural and similar commercial activities, and

(ii) five percent (5%) of income resulting from provision of services, professional/vocational business activities, entertainment and similar activities.

Taxpayers, with annual gross income of more than EUR 50,000 who keeps books and records, are required to pay personal income tax according to rates shown in Table 11. Expenses incurred during the tax period are deductible from the gross income resulting from business activities.

Chapter 7

Labour Law in Kosovo

General issues

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

A new law On Labor was recently proposed by the Government of Kosovo to the Parliament. This draft law once final shall replace the current Regulation No. 2001/27 On Essential Labor Law in Kosovo.

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 is 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 working 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 Pensions Regulation 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, prohibits the work under the age of 18 years old, except for those kind of work which does not represent particular difficulties, but in no case is permitted the work for persons under the age 15 years old.

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 expiry 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. Serious misconduct shall include 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's 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) an employer(s) or employer's representative; and
- b) a union(s) or, where no union(s) exists, other employees' representative.

A collective agreement may be concluded at:

- a) Kosovo level;
- b) branch level; or
- c) enterprise level of enterprise.

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 time 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.

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. 2000/25 “On the establishment of the immovable property rights register” as amended, and by the law no. 2003/25 “On the cadastre”.

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 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 to issue secondary legislation for better regarding the cadastral activity.

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

The cadastral register reports 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., while the law no. 2000/25 “On the establishment of the Immovable Property Rights Register” enables the registration of the rights as follows: (i) ownership (on land, buildings, parts of buildings – apartments and commercial premises), (ii) mortgages; (iii) servitudes; (iv) the right to use social and state property.

For the first time registration of immovable property, written application should be filed with the MCO under which jurisdiction 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 make a decision on whether 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 entry of the decision of the MCO into the 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" or "the Law") promulgated with UNMIK Regulation 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 or 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.

On the other hand, the 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.

The Law purpose is to prevent the abuse with the exclusive dealing agreements. Competition Law provides also for 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 with 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 with their remaining competitors. Indicatively, abusive behavior of undertakings in dominant position is considered the charging of prices or imposing of business terms that are different from those that would likely prevail if more effective competition existed, or the adopting of 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.

Appendix A

Useful Addresses in Pristina

Country Code:	381
Pristine 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., 10000, Prishtina, Tel: +381 38 220 210 / 220 211 E-mail: info@grandhotel-pr.com
Hotel Victory	Nena Tereze str., p.n., 10000, Prishtina, Tel: +381 38 543 277 / 543 267 E-mail: info@hotel-victory.com
Hotel Prishtina	Vaso Pasha str., no. 20, 10000, Prishtina, Tel: +381 38 223 284 E-mail: reservations@hotelprishtina.com
Hotel Afa	Ali Kelmendi str., no 15, 10000, Prishtina, Tel: +381 38 225 226 / 225 227 E-mail: office@hotelafa.com
Hotel Baci	Bulevardi i Deshmoreve blvd., p.n.10000, Prishtina Tel: +381 38 548 356 / 548 357 E-mail: hotel@bacicompany.com
Hotel Gorenje	Veternik str., 10000, Prishtina, Tel: +381 38 557 700 E-mail: info@hotelgorenjenititiki.com

Hotel Princi I Arbrit Asllan Pireva str., Kodra e Trimave, 10000, Prishtina,
Tel: +381 38 244 244 / 244 442
E-mail: info@hotel-princi-arberit.com

Hotel Dea Velani str., 10000, Prishtina, Kosova
Tel: +381 38 516 770 / 516 772
E-mail: info@hotel-dea.com

Restaurants

Puro Near building Gorenje (Veternik)
Prishtine, Kosova
Tel: +381 (0) 38 545 -099

Pisha Nene Teresa Str.
Prishtine, Kosova
Tel: +381 (0) 38 227-051

Liburnia Meto Bajraktari Str, no. 3 Tophane
Prishtine, Kosova
Tel: +381 (0) 38 222-719

Tiffany Fehmi Agani Str.
Prishtine, Kosova
Tel: +381 (0) 38 244 040

Pinochio 24 Maji Str. no.115
Prishtine, Kosova
Tel: + 381 (0) 44 202 952

Appendix B

List of Banks and other funding agencies

ProCredit Bank Kosovo

Skenderbeu Str., Prishtina
Tel: + 381 (0) 38 240-248
Fax: + 381 (0) 38 248-777
Web: www.procreditbank-kos.com

KasaBank

Pal Palucaj Str., No.1, Prishtina
Tel: + 381 (0) 38 543-688
Fax: + 381 (0) 38 246-180, loc.221
Web: www.kasabank.com

Raiffeisen Bank Kosovo

UCK str., No.51, Prishtina
Tel: +381 (0) 38 226-400
Fax: +381 (0) 38 226-408
Web: www.raiffeisen-kosovo.com

TEB

Agim Ramadani str., No 15, Prishtina
Tel: +381 (0) 38 230-000
Fax: +381 (0) 38 224-699
Web: www.teb-ks.com

Bank for Private Business

UCK str., No. 41, Prishtina
Tel: + 381 (0) 38 244-666
Fax: +381 (0) 38 243-656
Web: www.bpb-bank.com

Economic Bank

UCK str, No. 5, Prishtina
Tel: + 381 (0) 38 225-553
Fax: + 381 (0) 38 225-454
Web: www.bekonomike.com

New Bank of Kosovo

Mother Teresa str, No. 54, Prishtina
Tel: + 381 (0) 38 225-871
Fax: + 381 (0) 38 223-976
Web: www.banka-ks.com/brk.brk-bank.com

Bank for Business

UÇK str 41, 10000 Prishtina
Kosovo / UNMIK
tel.+381 (0) 38 244 666
fax.+ 381 (0) 38 243 656, 657
Web: www.bpbbank.com

Banka Kombetare Tregtare - Prishtina Branch

Cyteza Pejton, Kosta Novakovic Str. No.9
10000 Prishtina
Kosovo / UNMIK
+381 (0) 38 222 910
+ 381 (0) 38 222 907
www.bkt.com.al

Appendix C

Governmental Institutions & International Organizations

Ministry of Economy and Finance

Bill Clinton Str.,
10000, Prishtina
Tel: + 381 38 541-485
Fax: + 381 38 548-673
Web: www.mfe-ks.org

Ministry of Trade and Industry

Agim Ramadani Str., Building of Economic Faculty
10000, Prishtina
Tel: + 381 38 504-604 ext.6835
Fax: + 381 38 211-985
Web: www.mti-ks.org

Ministry of Environment and Spatial Planning

Nazim Gafurri Str., No.31
10000, Prishtina
Tel: +381 38 517-800
Fax: + 381 38 517-845
Web: www.ks-gov.net/mmph

Ministry of Education, Science and Technology

Mother Teresa Str. (building of EXIMKOS)
Prishtina
Tel: + 381 38 211-569
Fax: + 381 38 540-785
Web: www.ks-gov.net

Ministry of Labour and Social Welfare

Agim Ramadani Str. (building of economic faculty)
Prishtina
Tel: + 381 38 244-228
Fax: + 381 38 244-229
Web: www.mpms-ks.org / www.ks-gov.net

Ministry of Public Services

Mother Teresa Str. (building of GERMIA)
Prishtina
Tel: + 381 38 211-014
Fax: + 381 38 211-061
Web: www.ks-gov.net

Ministry of Transport and Post-Telecommunication

Mother Teresa Str. (building of Kosovo Assembly)

Prishtina

Tel: +381 38 504-604 ext.5949

Fax: + 381 38 200-28 ext.004

Web: www.mtpt.org

Ministry of Foreign Affairs

Mother Teresa Str. (Government Building), Prishtina, Kosova

Tel: +381 (0) 38 213 978

Web: www.ks-gov.net/mpj

Ministry of Intern Affairs

Mother Teresa Str. (Government Building), Prishtina, Kosova

Tel: +381 (0) 38 200 190 88

Web: www.mpb-ks.org

Ministry of Agriculture Forestry and Rural Development

Mother Teresa Str., No. 35, Prishtina, Kosova

Tel: +381 (0) 38 212 621 / 200 387 06

Web: www.mbpzhr-ks.org

Ministry of Justice

Jakov Xoxa Str., No.45, Prishtina, Kosova

Tel: +381 (0) 38 213 886 / 213 858

Web: www.md-ks.org

Ministry of Community and Return

Ex-bank of private business, Prishtina, Kosova

Tel: +381 (0) 38 212 925

Web: www.ks-gov.net/mkk

Ministry of Health

Arberia Str., Prishtina, Kosova

Tel: +381 (0) 38 211 191

Web: www.mshgov-ks.org

Ministry of Culture, Youth, Sport and Nonresidential Affairs

Mother Teresa Str., Prishtina, Kosova

Tel: +381 (0) 38 211 557 / 200 220 04

Web: www.mkrs-ks.org

Ministry of the Local Government Administration

Muje Krasniqi Str. (IKAP Building), Prishtina, Kosova

Tel: +381 (0) 38 542 326

Web: www.ks-gov.net/mapl

Ministry of Energy

Pejton Str., Prishtina, Kosova

Tel: +381 (0) 38 200 213 01

Web: www.ks-gov.net/mem

International Organizations

World Bank

Mujo Ulqinaku Str., No 3, 10000, Prishtina

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. Prishtina

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, Prishtina

Tel: +381 (0) 38 249 066

Web: www.kosovo.undp.org

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

Luan Haradinaj Str., p.n. Prishtina

Tel: +381 (0) 38 500 162

Web: www.osce.org/kosovo

European Commission Office in Kosovo

Web: www.delprn.ec.europa.eu

International Organization for Migration

Ismail Qemali Str., Arberia II, 1000, Prishtina, KS

Tel: +381 (0) 38 249 042 / 249 059

Web: www.iomkosovo.org

Appendix D

Corporate Income Tax Return

[1] Tax Period (YYYY)	[2] Serial No.: CIT								
[3] Business Registration Number	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table>								
[4] Taxpayer Name	<input style="width: 100%; height: 20px;" type="text"/>								
[5] Taxpayer's Address (If different from last form)	<input style="width: 100%; height: 20px;" type="text"/>								
[6] Owner	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center; vertical-align: middle;">Tel:</td> <td style="width: 20%; height: 20px;"></td> </tr> </table>		Tel:						
	Tel:								
[7] Manager	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center; vertical-align: middle;">Tel:</td> <td style="width: 20%; height: 20px;"></td> </tr> </table>		Tel:						
	Tel:								
[8] Accountant/Bookkeeper	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center; vertical-align: middle;">Tel:</td> <td style="width: 20%; height: 20px;"></td> </tr> </table>		Tel:						
	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

Financial Statements Format

Balance Sheet

As at 31 December 200X

		In thousands of EUR	
	Note	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	In thousands of EUR	
		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 current 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 Taxpayer Number: [3]

[4] Taxpayer's Name [4]

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

[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. The practice 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 business environment in Albania and Kosovo.

Boga & Associates represents a broad spectrum of high-profile clients, including financial institutions, airlines, industrial complexes, 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 to its clients all the legal, tax and accounting services required to conduct business in Albania effectively. Boga & Associates reflects the best international standards of dealing with taxes and accounting also based on the ten years experience with KPMG, as being a member firm till 1st of May 2007. 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.

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

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

www.bogalaw.com