



## Tax & Legal Highlights

### Kosovo

#### **Government Introduces New Regulation No. 16/2018 for Customs and Tax Reliefs for disabled persons**

**This act will bring reliefs for Tax and Customs for employers that employ persons with disabilities as well for persons with disabilities that exercise independent economic activity.**

The purpose of this act is to define customs and tax reliefs for employers employing persons with disabilities as well as for persons with disabilities exercising independent economic activity under the legislation in force. The provisions of this Regulation apply to all employers.

#### **Specific Tax Reliefs**

All employers employing persons with disabilities are exempt from personal income tax according to the applicable personal income tax law:

- Salaries of persons with disabilities;
- Educational/educative expenses paid by an employer for persons with disabilities;
- Expenditures for pursuing a training program paid by an employer for people with disabilities.

The employer who employs persons with disabilities as well as the person with disabilities exercising independent economic activity are exempt from the payments made during the application of any administrative procedure/administrative services at the Tax Administration of Republic of Kosovo.

To benefit from specific tax reliefs, the employer keeps the decision from the relevant department of the Ministry of Labor and Social Welfare for assessment and work ability and/or opinion of the consortium of University Clinical Center of Kosovo (UCCK) physicians.

### **Specific Customs Reliefs**

For an employer employing persons with disabilities and for persons with disabilities exercising independent economic activity, Kosovo Customs Authorities will prioritize the review of requests for authorization for suspensive regimes and procedures with economic influence (PWEI), as well as simplified procedures (SP), in accelerated timeframes.

To benefit from specific customs facilities, the employer must submit as evidence a decision from the relevant department of the Ministry of Labor and Social Welfare for assessment and ability to work and/or the opinion of the UCCK doctors' consortium as well as the list of employees from EDI system - electronic declaration where it is proved that people with disabilities are working.

Additionally, according to the Law No. 05/L-078 for Training, professional rehabilitation and employment of persons with disabilities, the definition of a person with disabilities is:

- Persons who have physical, sensory, intellectual or long-term mental impairments that in interaction with different barriers may impede their full and effective participation in society on an equal basis with others.

### **Former-Yugoslavia Agreement for Double Tax Elimination with Belgium under renegotiation**

**In principle, the Ministry of Finance got the approval for the initiative of renegotiation of the Double Tax Agreement with Belgium.**

The inherited Agreement from former Yugoslavia with Belgium entered into force since 23.02.2010 in the Republic of Kosovo. This Convention, for Avoidance of Double Taxation on Income and Capital, was signed in Belgrade on 21 November 1980.

The current Double Tax Agreement regulates the following:

- Development of the cooperation for the tax issues;
- Protection of the taxpayer from double taxation;
- Prevention of tax evasion;
- Elimination of discrimination;
- Providing administrative assistance;
- Other assignments foreseen with DTA.

## **Double Tax Treaty between Kosovo and Switzerland Enters into Force**

**The Double Tax Treaty between Kosovo and Switzerland has been ratified by the legislatures of both respective parties and is applicable as from 1<sup>st</sup> January 2019.**

In what is seen as a measure to further cement economic ties between Kosovo and Switzerland, the legislatures of the respective countries have completed the ratification process of the DTT. The DTT thereby officially enters into force and will be applicable from 1<sup>st</sup> of January 2019.

This tax treaty is of considerable importance given the strong economic ties between the two countries and Kosovo's considerable diaspora in Switzerland.

Significant provisions of the DTT amongst others include the following:

- Business profits of an entity of a contracting state shall be taxed only in such state, provided that the entity does not carry out economic activity in the other state through a permanent establishment.
- Dividend income may be taxed in the state where the distributing entity resides, however it may be taxed only as follows:
  - 5% if the beneficial owner is a company other than a partnership which holds 25% of the equity of the paying entity for a period of at least 365 days;
  - 15% in all other cases.
- Interest arising in a contracting state and paid to a resident of the other contracting state may be taxed only in that other state provided that:
  - The debt arises in relation to a sale on credit of equipment, goods or services;
  - Loan issued by a bank;
  - In respect of a pension fund;
  - Loans between companies;
  - Loans for a contracting state.

In all other instances, the interest may be taxed in the state in which it arises, but only up to a rate of 5%.

- Royalties arising in a contracting state and paid to a resident of the other contracting state will be taxed only in the other contracting state, unless the beneficial owner carries on business in the other contracting state through a permanent establishment.

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