



# Doing business in Kosovo

## A comparative guide

May 2022

# A guide to doing business in Kosovo

Deloitte Legal compiled this guide for Legal 500, providing an overview of the laws and regulations on doing business in a variety of jurisdictions. The following country chapter contains the relevant information on the systems of law, the legal forms through which people carry out business, capital requirements, how entities are operated and managed, expansion possibilities, corporate governance, employment law and more.



No.	Question
<h2>A. Legal system and landscape</h2>	
1	<p data-bbox="212 365 1075 392"><b>Is the system of law in your jurisdiction based on civil law, common law or something else?</b></p> <p data-bbox="212 432 1394 488">The Republic of Kosovo has a civil law system, whereby the central source of law is a constitution and international conventions incorporated into the constitution, codes, and laws adopted by the assembly.</p>
<h2>B. Entity establishment</h2>	
2	<p data-bbox="212 656 1281 683"><b>What are the different types of vehicles/legal forms through which people carry on business in your jurisdiction?</b></p> <p data-bbox="212 719 1378 745">Based on Law No. 06/L-016 on Business Organization, only certain types of business can be registered in Kosovo, respectively:</p> <ul data-bbox="261 781 1485 972" style="list-style-type: none"> <li>• An individual business, the owner has unlimited responsibility for all the debts of the organization.</li> <li>• A general partnership, all partners are responsible without limitation and with solidarity for the debts of the organization.</li> <li>• A limited partnership, which is composed of at least one general partner and at least one limited partner.</li> <li>• A limited liability company, which are corporations established by one or more founders who have a separate legal personality from the company.</li> <li>• A joint stock company, which are corporations established by one or more founders who have a separate legal personality from the company.</li> </ul> <p data-bbox="212 1041 1433 1097">Independent from the above forms of establishment, foreign business organizations may also carry out economic activity in Kosovo through a branch office, upon the registration with the Business Registration Agency in Kosovo.</p>
3	<p data-bbox="212 1137 1433 1164"><b>Can non-domestic entities carry on business directly in your jurisdiction, i.e., without having to incorporate or register an entity?</b></p> <p data-bbox="212 1200 1465 1256">A non-domestic company can carry out business in Kosovo, but it must register as a legal entity with the Kosovan Business Registration Agency (KBRA).</p> <p data-bbox="212 1296 1489 1417">The laws and regulations on establishing and owning business enterprises and engaging in all forms of remunerative activity apply equally to foreign and domestic private entities. Kosovo legislation does not interfere with the establishment, acquisition, expansion, or sale of interests in enterprises by private entities. Under Kosovo law, foreign firms operating in Kosovo are granted the same privileges as local businesses.</p>
4	<p data-bbox="212 1462 1050 1489"><b>Are there any capital requirements to consider when establishing different entity types?</b></p> <p data-bbox="212 1525 1485 1615">Depending on the organization structure of the entity, the applicable law dictates the minimum capital requirement. Currently, however, the only required minimum capital is for joint stock companies, which must have a minimum capital of €10,000. There is no minimum capital requirement for other forms of business organizations.</p>
5	<p data-bbox="212 1653 1481 1709"><b>How are the different types of vehicles established in your jurisdiction? And which is the most common entity/branch for investors to utilize?</b></p> <p data-bbox="212 1749 1485 1805">The Law on Business recognizes two types of business organizations organized in the corporate form, either as a limited liability company or as a joint stock company, and are considered as a legal entity, with a separate and distinct legal personality from its owners.</p> <p data-bbox="212 1845 1433 1901">A corporation is constituted only upon the registration of its charter, which is considered as the founding and constitutional act of a limited liability company ("L.L.C.") and a joint stock company ("J.S.C.").</p> <p data-bbox="212 1942 1469 1998">For the establishment of a corporation, a company agreement or act of establishment, which, inter alia, must contain management and operation of the company, is required.</p>

	<p>Companies are entitled to issue common and preferential stocks which can be characterized in different classes.</p> <p>Both forms of companies may be owned by one or more natural persons in the capacity of the owners or shareholders.</p> <p>According to the provisions of the Law on Business Organizations, there isn't any restriction regarding the foundation of the companies by foreign persons, either organized as legal entities or as personal business enterprises. Therefore, foreign legal entities are entitled to form their business organizations either as their subsidiaries or as their branches.</p> <p>A foreign business organization, i.e., branch office is an organization that has been established under the law of a jurisdiction outside of Kosovo and upon its registration is entitled to be engaged in any type of lawful business activity in Kosovo. The Foreign Business Organization does not have a separate and distinctive legal personality from its founder.</p> <p>One of the significant differences between an L.L.C. and a J.S.C. lies in the managing structure, respectively. An L.L.C. can be managed by managing director(s), and an appointment of the board of directors in its governing structure is not mandatory, while a J.S.C. is managed by a board of directors. Thus, an L.L.C. may appoint the board of directors, as the highest managing body of the company. Moreover, a foreign business organization is managed by a managing director and principal bodies of its founder. Furthermore, an L.L.C. is more flexible in relation to bookkeeping and financial reporting compared to a J.S.C., because a JSC is required to audit its financial statements regardless of its size, profit, and assets.</p> <p>A foreign business organization, i.e., a branch office is an organization that has been established under the law of a jurisdiction outside of Kosovo and upon its registration is entitled to be engaged in any type of lawful business activity in Kosovo. A Foreign Business Organization does not have a separate and distinctive legal personality from its founder.</p> <p>The most common entity that foreign entities establish is that of a limited liability company since it has a less complicated governing structure. To register a corporation in Kosovo, an application must be filed with the Kosovan Business Organization. Additionally, as noted above, the founders are to present, among other things, the act of the establishment and charter of the company.</p>
<p>6</p>	<p><b>How is the entity operated and managed, i.e., directors, officers or others? And how do they make decisions?</b></p> <p>Every business organization must have at least one managing director who is responsible for:</p> <ul style="list-style-type: none"> <li>• Conducting the ordinary business activities of the company;</li> <li>• Signing agreements or other documents necessary to exercise daily business activities;</li> <li>• Representing the company in transactions with third parties; and</li> <li>• Maintaining the books and records of the company in accordance with the law.</li> </ul> <p>Managing directors can perform other activities authorized by the charter or powers delegated by the shareholders or board of directors.</p> <p>Joint stock companies must have a board of directors that is competent in making decisions on all matters, except for those matters reserved by law or the company charter for the shareholders. Managing directors of joint stock companies report and are under the direction of the board of directors.</p> <p>The board of directors or managing director can delegate powers to other officers in the company.</p> <p>Notwithstanding the above, the shareholders assembly is the highest governing structure within a company, and certain competences are under the exclusivity of the assembly.</p>
<p>7</p>	<p><b>Are there general requirements or restrictions relating to the appointment of (a) authorized representatives/directors or (b) shareholders, such as a requirement for a certain number, or local residency or nationality?</b></p> <p>Companies must have at least one authorized representative. The law does not impose any statutory restrictions on the number of directors or managing directors, or shareholders, a company ought to have. It is mandatory, however, that limited liability companies, and joint stock companies, have at least one managing director.</p> <p>The requirements on the shareholders for companies established as general partnerships or limited liability partnerships are that the former must have at least two partners. Regarding the restrictions related to the appointment of shareholders, a limited liability</p>

	<p>company may not have non-governmental organizations as its shareholders. The applicable national laws do not impose any restrictions on the nationality or local residency of the authorized representative, directors, or shareholders, independent of the organization structure of the entity.</p> <p>Furthermore, the law does not impose any statutory limit on the number of shareholders a company can have. According to the law, the company can add new members by way of transferring existing shares or issuing new shares.</p>
8	<p><b>Apart from the creation of an entity or establishment, what other possibilities are there for expanding business operations in your jurisdiction? Can one work with trade/commercial agents, resellers and are there any specific rules to be observed?</b></p> <p>From a corporate law perspective, there are no restrictions in expanding business operations in Kosovo. Unless specifically prohibited in the articles or memorandum of association, a legal entity is free to work with trade/commercial agents and resellers.</p>

## C. Entity operation

### C1. Governance

9	<p><b>Are there any corporate governance codes or equivalent for privately owned companies or groups of companies? If so, please provide a summary of the main provisions and how they apply.</b></p> <p>Yes, pursuant to Law No.06/L-016 on Business Organizations, the government has adopted a corporate governance code. The code serves as a guideline, and it does not have a binding effect on companies or institutions. The code, among others, addresses the shareholders and management rights, structure, and competences of the board of directors, disclosure of information, ethics, and management of conflict of interest in the company.</p>
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### C2. Capital

10	<p><b>What are the options available when looking to provide the entity with working capital? i.e., capital injection, loans, etc.</b></p> <p>The company may provide working capital by issuing new shares for subscription to existing shareholders or increasing the nominal value of the shares. Subject to limitations on preemptive rights, shares may also be issued for subscription to investors.</p> <p>Companies and their shareholders may also consider loans or other banking products to finance working capital. In case the company has a VAT credit balance with the tax authority, provided that the requirements for VAT reimbursement are satisfied, the reimbursed VAT can also be used as working capital.</p>
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### C3. Return of proceeds

11	<p><b>What are the processes for returning proceeds from entities? i.e., dividends, returns of capital, loans, etc.</b></p> <p>Dividends may be paid to shareholders from net profit or from retained profit from previous years from which losses from previous years have been deducted, based on the approved annual financial report. The distribution of dividends to shareholders may take place at any time with the unanimous consent of the shareholders or with another voting method requiring a smaller number of votes as specified in the charter of the company.</p> <p>Kosovo does not impose any withholding tax on dividends, as dividends received by residents and non-residents are exempt from taxation in Kosovo.</p>
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The company can also reduce the capital of the company by either i) reducing the nominal value of issued shares or ii) decreasing the number of issued shares.

## C4. Shareholder rights

### 12 **Are specific voting requirements/percentages required for specific decisions?**

Yes, there are. As a rule, unless otherwise provided in the law or company charter, the decisions are taken with a simple majority vote.

As regards limited liability companies, decisions related to amendments of the charter, the sale of assets, the issuance of new shares, or dissolving the company, require a unanimous vote by all shareholders, unless otherwise set out in the charter.

As regards joint stock companies, if a quorum is present, decisions are taken with the affirmative vote of the majority of the shares represented at the assembly, unless a greater number of votes are required by the law or charter. Certain decisions, such as approval of major transactions, dissolving the company, etc., require two-thirds of the votes.

### 13 **Are shareholders authorized to issue binding instructions to the management? Are these rules the same for all entities? What are the consequences and limitations?**

The Kosovan legal basis provides that shareholders are authorized to issue binding instruction applicable to managing directors and the company officials.

## C5. Employment

### 14 **What are the core employment law protection rules in your country (e.g., discrimination, minimum wage, dismissal, etc.)?**

Employees' rights and obligations as well as those of the employer are under the scope of Kosovan Labor Law No.03/L-212. The following financial figures are subject to review:

Right/Protection	Details
<b>National minimum wage</b>	€130 for employees under 35 years of age and €170 for employees over the age of 35.
<b>Holiday</b>	Employees receive four weeks of paid leave annually and accumulate one additional day for every five years of employment.
<b>Working hours</b>	Employees' regular working hours are 40 per week.
<b>Rest periods</b>	Unless an exemption applies, employees are entitled to the following rest periods: <ul style="list-style-type: none"> <li>• At least 30 minutes of daily break when working for more than 6 hours;</li> <li>• 12 hours rest per day (during seasonal work, 11 hours of uninterrupted rest);</li> <li>• 24 hours of weekly rest.</li> </ul>
<b>Pension rights</b>	Both the employer and employee are subject to compulsory pension contributions in Kosovo. The total compulsory contribution is 10%, where 5% represents the employee's share (withheld from gross wages), and 5% represents the employer's share.

	Employers and employees may contribute additional pension contributions up to a total of 30% (15% + 15%).
<b>Discrimination</b>	<p>Employees are protected against discrimination on the basis of the following protected characteristics:</p> <ul style="list-style-type: none"> <li>• Age</li> <li>• Disability</li> <li>• Gender reassignment</li> <li>• Marriage and civil partnership</li> <li>• Pregnancy and maternity</li> <li>• Race</li> <li>• Religion or belief</li> <li>• Sex, and</li> <li>• Sexual orientation.</li> </ul>
<b>Maternity leave/pay</b>	<p>Female employees are entitled to up to 12 months of maternity leave. During maternity leave, the employer pays 70% of the salary for the first six months. The remaining six months of maternity leave are optional.</p> <p>During the first three optional months, the mother receives a payment from the government equaling 50% of the average salary in Kosovo. The final three months of maternity leave, if the mother chooses to use them, are unpaid.</p>
<b>Paternity leave</b>	<p>The father of the child has the right to:</p> <ul style="list-style-type: none"> <li>• Three days' paid leave upon the birth or adoption of the child; and</li> <li>• Two weeks' unpaid leave after the birth or adoption of the child, at any time before the child reaches the age of three.</li> </ul>
<b>Shared parental leave</b>	<p>Kosovo doesn't recognize shared parental leave. Nonetheless, the father of the child will assume the rights of the mother if the mother dies or abandons the child.</p> <p>Additionally, the mother may transfer her rights to maternity leave after the first six months to the father of the child.</p>
<b>Statutory sick pay</b>	<p>Employees in Kosovo are entitled to 20 days of paid sick leave per year.</p> <p>In case of injuries at the workplace or related illness as a result of work, the employee is entitled to 90 days of sick leave with 70% salary compensation.</p> <p>The employee must notify the employer of their intent to take sick leave as soon as possible, and the employer may require a medical certificate if the employee misses more than three days of work.</p>
<b>Statutory notice periods</b>	<p>The statutory notice period for indefinite employment contracts is as follows:</p> <ul style="list-style-type: none"> <li>• 30 calendar days for employment between six months to two years;</li> <li>• 45 calendar days for employment between two and 10 years;</li> <li>• 60 calendar days for more than 10 years of employment.</li> </ul>

		<p>A 30-day notice is to be given in the event of the termination of a fixed term employment contract.</p> <p>In the case of the termination of an employment contract by the employee, the following statutory notice periods apply:</p> <ul style="list-style-type: none"> <li>• 15 days in the case of a fixed term contract; and</li> <li>• 30 days in the case of an indefinite employment contract.</li> </ul>
	<p><b>Unfair dismissal</b></p>	<p>Except in the case of termination on the grounds listed in question 15 below, dismissal on any other grounds will be considered as unfair.</p> <p>In case of unfair dismissal, the employee is entitled to compensation, and in some cases the court may also order reinstatement of the employee in the same workplace.</p>
	<p><b>Statutory redundancy payment</b></p>	<p>Redundancy payment is only required in cases of collective dismissal, namely the redundancy of at least 20 employees constituting at least 10% of the employees within a six-month period.</p> <p>The amount varies and depends on the employee's period of employment with the company, as follows:</p> <ul style="list-style-type: none"> <li>• Between two and four years of service, one month's salary;</li> <li>• Between five and nine years of service, two month's salary;</li> <li>• Between 10 and 19 years of service, three month's salary;</li> <li>• Between 20 and 29 years of service, six month's salary;</li> <li>• 30 years of service or more, seven month's salary.</li> </ul> <p>In accordance with the Law on Labor, an employee may not be dismissed until the employer provides the severance payment. If the employer fails to comply with this obligation, the employees are entitled to file a lawsuit before the respective court. Furthermore, within a period of one year from the date of collective dismissal, the employer will not hire other persons before offering the job to the employees whose contract was terminated.</p>
	<p><b>Statement of particulars</b></p>	<p>The employment contract will be concluded in written form and signed by the employer and the employee. The contract is to include the particulars of the employment relationship.</p> <p>The employment contract must at least contain the following mandatory terms and conditions: the details of the employer and the employee, the job description, the place of work, the working hours, the commencement date and end date of the employment, the salary, and other allowances or incomes, and details of annual leave.</p>
<p>15</p>	<p><b>On what basis can an employee be dismissed in your country, what process must be followed and what are the associated costs? Does this differ for collective dismissals and if so, how?</b></p> <p>An employer may terminate the employment contract of an employee with the prescribed period of notice of cancellation, when:</p> <ul style="list-style-type: none"> <li>• The termination is justified for economic, technical, or organizational reasons;</li> <li>• The employee is no longer able to perform the job;</li> <li>• Serious cases of misconduct of the employee or repetition of less severe misconduct; and</li> <li>• Dissatisfactory performance.</li> </ul>	



	<p>A meeting with the employee must be held to explain the reasons for termination and a written decision must be issued to the employee. The employee is entitled to appeal against the decision with the employer, and in case of a rejection of the appeal they can initiate a labor dispute before the competent court.</p> <p>If the court finds that the employer’s termination of the employment contract was unlawful, it can order any of the following:</p> <ul style="list-style-type: none"> <li>• To pay the employee compensation, in addition to any allowance and other amounts to which the employee may be entitled to, in such an amount that the court considers just and equitable, but which will not be less than twice the value of any severance payment to which the employee was entitled to at the time of dismissal; or</li> <li>• In cases where the dismissal is deemed unlawful, i.e., was based on discriminatory basis, the court may reinstate the employee in their previous employment and order compensation of all salary and other benefits lost during the time of unlawful dismissal from work.</li> </ul> <p>Severance payment is foreseen only in the case of collective dismissal (see above), whereas in other cases of dismissal, notice pay is applicable (see above) and compensation for unused annual leave days is paid.</p>
16	<p><b>Does your jurisdiction have a system of employee representation/participation (e.g., works councils, co-determined supervisory boards, trade unions, etc.)? Are there entities which are exempt from the corresponding regulations?</b></p> <p>Yes, Kosovo legislation guarantees the freedom of association and action without undue interference from any other organization or public body. Employees are entitled to establish trade union organizations and to affiliate or join them, in accordance with applicable law, international standards, and conventions of the International Labour Organization.</p>
<p><b>C6. Anti-corruption/bribery/money laundering/supply chain</b></p>	
17	<p><b>Is there a system governing anti-bribery or anti-corruption or similar? Does this system extend to non-domestic constellations, i.e., have extraterritorial reach?</b></p> <p>The Criminal Code of Kosovo criminalizes all major forms of corruption, including active and passive bribery, extortion, attempted corruption, money laundering, and abuse of office. The code also prohibits bribery of foreign public officers and extortion. The criminal penalty for bribery ranges from one to 10 years’ imprisonment. Private sector bribery is also criminalized.</p> <p>In respect to the public sector, the Anti-corruption agency law established the Anti-corruption Agency (ACA) and stipulates asset disclosure mechanisms for senior (public) officials. Other anti-corruption laws include the law on administrative procedure, the law on access to official documents, the law on public procurement, the law on the civil service of Kosovo as well as the law on the prevention of money laundering and combating terrorist financing.</p>
18	<p><b>What, if any, are the laws relating to economic crime? If such laws exist, is there an obligation to report economic crimes to the relevant authorities?</b></p> <p>The Criminal Code of Kosovo is the legal basis regarding criminal offences against the economy. It includes unlawful actions, conduct and activities of liable and legal persons directed against economic relation, the economic system, and its functioning. Criminal offences against the economy represent a range of forms of criminal activity directed against the economy. Additionally, the law on tax administration and procedures serves as a legal basis regarding criminal tax offences, complimentary to criminal code procedures.</p> <p>The criminal code of Kosovo obliges the parties involved or witness to an economic crime to report it as soon as possible. Failure to do so will result in punishment by a fine or imprisonment.</p>
19	<p><b>How is money laundering and terrorist financing regulated in your jurisdiction?</b></p>

	<p>The prevention of money laundering and the financing of terrorism regime in Kosovo is mainly regulated by the Law on the Prevention of Money Laundering and Combating Terrorist Financing (PML/CFT). This law stipulates measures, competent authorities, and procedures for detecting and preventing money laundering and combating terrorist financing.</p> <p>The provisions of this law are obligatory for all institutions and their respective units, and to all non-public entities subject to activities that may relate to money laundering and terrorist financing.</p>
20	<p><b>Are there rules regulating compliance in the supply chain (for example, comparable to the UK Modern Slavery Act, the Dutch wet kinderarbeid, the French loi de vigilance)?</b></p> <p>The Kosovan legislative has similar regulations:</p> <ul style="list-style-type: none"> <li>• The Law on Child Protection, like the Dutch wet kinderarbeid, preventing child labor as well as protecting the wellbeing of Kosovan children.</li> <li>• The Law on preventing and combating trafficking in human beings and protecting the victims of trafficking, like the UK Modern Slavery Act, preventing and combating trafficking in human beings in all its forms.</li> </ul>
<h2>C7. Compliance</h2>	
21	<p><b>Please describe the requirements to prepare, audit, approve, and disclose annual accounts/annual financial statements in your jurisdiction.</b></p> <p>Companies in Kosovo do not generally require an auditor unless they fulfill two of the following requirements: a) the total assets exceed €2 million, b) the annual turnover exceeds €4 million, and c) they have more than 50 employees within that fiscal year.</p> <p>Taxpayers with income from economic activities exceeding €30,000 per year need to make quarterly advance payments (on 15 April, 15 July, 15 October, and 15 January) that amount to one-quarter of 110% of the total tax liability for the previous tax period. If it is the taxpayer's first year of business and/or a tax loss was incurred in the previous year, quarterly advance payments are made on the principle of estimation of that year's CIT liability.</p>
22	<p><b>Please provide details on any corporate/company secretarial annual compliance requirements?</b></p> <p>Every company is required to comply with the companies' internal acts and on an annual basis prepare and file financial statements and hold at least one shareholders' meeting.</p>
23	<p><b>Is there a requirement for annual meetings of shareholders, or other stakeholders, to be held? If so, what matters need to be considered and approved at the annual shareholder meeting?</b></p> <p>Yes, there is.</p> <p>The general meeting of the shareholder assembly is to be convened at least once a year for approving the annual financial statements of the company and/or making of any other decision under the competence of shareholders.</p>
24	<p><b>Are there any reporting/notification/disclosure requirements on beneficial ownership/ultimate beneficial owners ("UBO") of entities? If yes, please briefly describe these requirements.</b></p> <p>There is no such requirement for the purpose of registering a company. However, based on the Law on the Prevention of Money Laundering and Combating Terrorism Financing, the identification of beneficial owners is essential for adequate decision making on the level of risk of money laundering and terrorist financing. Reporting subjects, such as financial institutions, are obliged to perform due diligence on a customer, including the identification of the beneficial owner and/or natural person or persons who directly or indirectly control 25% or more of a legal entity.</p> <p>Where reporting subjects consider that the risk of money laundering or terrorist financing is high, they are to take reasonable measures to verify their identity so that the institution or person covered by the Law on the prevention of money laundering and combating</p>

terrorism financing is convinced that it knows who the beneficial owner is including, as regards legal persons, trusts, and similar legal arrangements, taking risk-based and adequate measures to understand the ownership and control structure of the customer.

## C8. Tax

### 25 **What main taxes are businesses subject to in your jurisdiction, and on what are they levied (usually profits), and at what rate?**

The tax system in Kosovo consists of tax treaties, tax laws, administrative instructions, regulations, individual and public rulings, decisions, and other official documents pertaining to the application of the CIT provisions. The CIT system in Kosovo is based on the principle of worldwide taxation.

Taxpayers subject to CIT are the following:

- Corporations and other legal persons;
- Business organizations operating with public/state-owned assets; and
- Non-resident persons with a permanent establishment (PE) in Kosovo.

Resident taxpayers are generally subject to tax on foreign and Kosovo-source income, whereas non-resident taxpayers are generally subject to tax only on their Kosovo-source income. The CIT rate is 10%.

Taxpayers whose gross annual income does not exceed €30,000 are not subject to CIT but must file quarterly payments of tax on gross receipts, as follows:

- 3% of gross income received from trade, transport, agricultural, or similar activities (subject to a minimum payment of €37.50);
- 9% of gross income for the quarter from services, professional, vocational, entertainment, or similar activities (subject to a minimum payment of €37.50); and
- 10% of gross rent income for the quarter.

Taxpayers are also subject to withholding tax requirements on payments made in respect of rent (9%), interest and royalties (10%), and payments made to non-residents for services provided with physical presence in Kosovo (5%). Payments to non-business natural persons, farmers, recycled materials collectors, are also subject to tax withholding at the rate of 1%.

The main tax in Kosovo is Value Added Tax (VAT) which is paid for goods and services. The tax rate is 18% and the reduced rate is 8%. Businesses that have an annual turnover of €30,000 and above must register for VAT. In terms of imports, the period for VAT payment is 6 months and it is collected at the administrative borders of Kosovo.

### 26 **Are there any particular incentive regimes that make your jurisdiction attractive to businesses from a tax perspective (e.g., tax holidays, incentive regimes, employee schemes, or other)?**

Kosovo has a low tax burden, in comparison to neighboring countries; VAT, the tax on personal income, and taxes on corporate incomes, are among the lowest in the region.

In principle, there are three VAT rates in Kosovo: 0% for exports, 18% for all goods regardless of their origin, and 8% for basic consumption goods and some IT equipment. Kosovo ranks as one of the countries with the lowest VAT rate in the region. Another fiscal incentive is that dividends received by residents and non-residents are exempt from any form of taxation.

In terms of tax incentives, the legislation allows for an extra 10% deduction on new production equipment, which is an additional and separate deduction from depreciation expenses. This also applies to production equipment that is not new, but is imported, and put to use for the first time in Kosovo. The import of raw materials is also exempt from VAT and customs duties when used in production activities. Recently, the government has also exempted from VAT the domestic sales of raw materials used in production activities. Likewise, the import of certain IT equipment is exempt from customs duties and VAT.

	<p>Kosovo resident corporations are taxed on their worldwide income. However, if a double taxation treaty is in force, double taxation is avoided either through an exemption or by granting a tax credit up to the amount of the applicable Kosovo CIT rate. Kosovo legislation does not contain any provisions under which income earned abroad may be tax deferred.</p> <p>Regarding the personal income tax rate, Kosovo applies a favorable rate compared to other nearby countries. Kosovo applies monthly progressive Norm taxes which start as follows: a tax rate of 0% applies to salaries between €0-80 per month; a tax rate of 4% applies to salaries between €80-250 per month; a tax rate of 8% applies to salaries between €250-450 per month; and a tax rate of 10% applies to salaries over €450 per month.</p>
27	<p><b>Are there any impediments/tax charges that typically apply to the inflow or outflow of capital to and from your jurisdiction (e.g., withholding taxes, exchange controls, capital controls, etc.)?</b></p> <p>Resident (corporate) taxpayers paying rent, interest, royalties, and non-resident services will withhold tax at the time of payment and transfer the amount of the tax withheld no later than the 15th day of the month following the tax period.</p> <p>Taxpayers will withhold tax at the time of payment or credit. A WHT obligation applies only when the underlying amount, e.g., rent, interest, is actually paid, not when it accrues.</p> <p>WHT rates are as follows:</p> <ul style="list-style-type: none"> <li>• Interest and royalties: 10%</li> <li>• Rent: 9%</li> <li>• Services provided by non-residents: 5%</li> <li>• Payments to non-business natural persons, farmers, recycled materials collectors, etc.: 1%.</li> </ul> <p>For payments made to recipients in countries with which Kosovo has a DDT, the rate of WHT may be eliminated or reduced under the terms of the treaty.</p> <p>There is no WHT on dividends, as dividends received by residents and non-residents are exempt from taxation in Kosovo.</p> <p>There are no other types of tax charges that typically apply to the inflow or outflow of capital to and from Kosovo.</p>
28	<p><b>Are there any significant transfer taxes, stamp duties, etc. to be taken into consideration?</b></p> <p>There are no significant transfer taxes, stamp duties, or other tax dues.</p>
<p>C9. M&amp;A</p>	
29	<p><b>Are there any public takeover rules?</b></p> <p>Yes. Certain takeovers need to be cleared by the Competition Authority, whereas following the transaction, changes in the companies must be registered with the Kosovan Business Registration Agency.</p>
30	<p><b>Is there a merger control regime and is it mandatory/how does it broadly work?</b></p> <p>Mergers in the Republic of Kosovo are primarily regulated by the Law on Business Organization and Competition Law. Competition law does not provide for different thresholds for specific sectors. In addition to Competition Law, provisions that are not applicable to all undertakings, mergers in some sectors are conditioned by prior notification or approval, i.e., mergers in the banking and insurance sectors, energy sector, or telecommunication sector.</p> <p>Pursuant to the provisions of Competition Law, the types of transactions that come under merger control legislation are those that result in a concentration of enterprises. Concentration is created by establishing control through:</p> <ul style="list-style-type: none"> <li>• The merger of two or more independent enterprises or parts of these enterprises; and</li> </ul>

	<ul style="list-style-type: none"> <li>• The acquisition of direct or indirect control, or influence over the activities of one or more enterprises or parts of enterprises by:             <ul style="list-style-type: none"> <li>- Taking over most shares or a part of them;</li> <li>- Taking over the majority of voting rights; and</li> <li>- In any other way envisioned by the laws in force and other regulations.</li> </ul> </li> </ul> <p>For it to amount to a merger, the acquisition of a minority shareholder should result in the acquisition of direct or indirect control over the target. An undertaking is deemed to have control over the target. An undertaking is deemed to have control over the target when it can exercise decisive influence over the target’s activities.</p> <p>A concentration of enterprises is subject to the clearance and approval of the Competition Authority if the following jurisdictional thresholds are met:</p> <ul style="list-style-type: none"> <li>• The aggregate income of all the participating undertakings in the international market exceeds €20 million, based on financial reports of the financial year preceding the year of the concentration, and if at least one of the participating undertakings is located in the Republic of Kosovo; and</li> <li>• The general income in the Kosovo domestic market of at least two of the participating undertakings exceeds €3 million based on financial reports preceding the year of the concentration.</li> </ul> <p>Competition Law applies to any restriction of competition in the territory of the Republic of Kosovo or outside this territory if these actions present their effects in Kosovo. In this regard, foreign-to-foreign mergers become subject to Kosovo merger control rules when the jurisdictional thresholds are met, and when such acts have an effect in Kosovo to trigger a filing obligation. On the other hand, the undertakings relevant to a merger or concentration are obliged to notify the concentration if the notification thresholds are met. One of the requirements for the notification threshold is that at least one of the participating undertakings has the registered office in Kosovo, which could mean that a foreign-to-foreign transaction would not come under Competition Law. The CA is yet to adopt new secondary legislation which may address this issue.</p> <p>Kosovo legislation does not provide specific guidelines which would exempt foreign mergers. The merger control rules apply to foreign mergers when the jurisdictional thresholds are met.</p>
31	<p><b>Is there an obligation to negotiate in good faith?</b></p> <p>Yes, pursuant to the principles of the Law on obligational relationship, parties are to negotiate in good faith.</p>
32	<p><b>What protections do employees benefit from when their employer is being acquired, for example, are there employee and/or employee representatives’ information and consultation or co-determination obligations, and what process must be followed? Do these obligations differ depending on whether an asset or share deal is undertaken?</b></p> <p>When the employer is changed as a result of a business transfer, the new employer will take over all the obligations of the former employer based on the individual employment agreement and collective agreement. In transactions involving the acquisition of a publicly owned company through a concession agreement, the contracting state authority may impose limitations with respect to redundancies and the employment conditions of the existing employees of the company in the transaction agreement.</p> <p>In the case of a business sale, the previous employer is obliged to inform properly and entirely the next employer of the rights and obligations deriving from any collective agreement and individual employment contract. Before the transfer takes place, the previous employer is obliged to inform all its employees in writing with respect to the transfer of their rights and obligations.</p> <p>If the employee refuses the transfer to the new employer or does not declare within five days from the day of the announcement, the previous employer may terminate the employment contract.</p>

## C10. Foreign direct investment

33	<p><b>Please provide details on any foreign direct investment restrictions, controls or requirements. For example, please provide details on any limitations, notifications and/or approvals required for corporate acquisitions.</b></p> <p>The laws and regulations on establishing and owning business enterprises and engaging in all forms of remunerative activity apply equally to foreign and domestic private entities. Kosovo legislation does not interfere with the establishment, acquisition, expansion, or sale of interests in enterprises by private entities. Under Kosovo law, foreign firms operating in Kosovo are granted the same privileges as local businesses. Kosovo does not have an investment screening mechanism.</p> <p>There are no licensing restrictions particular to foreign investors and no requirement for mandatory domestic partners for joint ventures.</p>
34	<p><b>Does your jurisdiction have any exchange control requirements?</b></p> <p>No.</p>

## D. Entity closure

35	<p><b>What are the most common ways to wind up/liquidate/dissolve an entity in your jurisdiction? Please provide a brief explanation of the process.</b></p> <p>One of the most common ways of ending activity is the voluntary dissolution of the business. The process of the voluntary dissolution of a private company entails the termination of company's activities, and the assets are liquidated according to the Law on Business Organizations.</p> <p>The procedure will have to be initiated by the shareholders of the company without undergoing bankruptcy procedures. The voluntary dissolution of the company in practice is usually conducted in cases when the company completes the project for which it had been established. Following the completion of potential claims by the creditors and the payment of taxes, the company may file before the registration agency for voluntary dissolution, and it will be deregistered from the business register.</p>
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