



**INVEST IN
KOSOVO**

SNAPSHOT

Official Name	Republic of Kosovo
Area	10,905 km ²
Population	1,8 million
Official Language/s	Albanian and Serbian
Capital	Prishtina
Currency	Euro (€)
GDP, € billion (2019) <small>*Data from World Bank</small>	7 billion
GDP per capita (2019) <small>*Data from World Bank</small>	3,923 €
Export, € million (2019)	383.5
Import, € million (2019)	3,497
Time Zone	Central European Time (GMT+1)
Climate	Continental, with hot summers and cool winters
Government Structure	Parliamentary Republic
Telephone code	+383

Disclaimer

*This brochure was correct at the time it went to press, June 2020, however, legislative changes and changes in interpretation by the authorities and courts can occur frequently in the country. This brochure contains information that is summarized and, in part, simplified. It does not substitute for specific consulting, advisory services, legal and tax advice. Despite attempting to exercise care in compiling this brochure, the authors cannot warrant the accuracy, completeness, or up-to date character of its contents. Any liability on the part of **ECIKS** is therefore excluded.*

2. DOING BUSINESS IN KOSOVO

Company registration and business types

Setting up a business in Kosovo is fairly simple and easy. According to the World Bank 'Doing Business 2018 Report', Kosovoth ranks 12 in starting a business. Business registration can be done via the Kosovo Business Registration Agency which is under the administration of the Ministry of Trade and Industry. The application can be submitted either online or in any of the 29 business municipality centres, known as 'one-stop-shops'.

Steps for registering the business

- 1 Request and obtain the Business Certificate and the Business Information document at the Kosovo Business Registration Agency (KBRA)

**The Business Certificate is obtained by submitting the documents listed in the table below.*

- 2 Make a company seal
- 3 Register employees for the pension scheme with the Tax Administration at the Ministry of Finance

Table 1 | Business Types Characteristics

Type of Business	Minimum Capital	Liability	Start-up documents
Individual Business	None	Full Liability	None
Overall Partnership	None	Full Liability	Registration form General partnership agreement Consent of registered agent
Limited Partnership	None	General partner - full liability	Registration form General partnership agreement Consent of registered agent
Limited Liability Company	None	Limited liability Shareholders fully liable only to the extent of unpaid stocks	Registration form Shareholder Agreement Statute of the company Consent of registered agent
Joint Stock Company	€ 10,000	Limited liability Shareholders fully liable only to the extent of unpaid stocks	Registration form The statute of the company Articles of Incorporation Consent of registered agent

Taxation in Kosovo

The tax system in Kosovo is relatively simple and tax rates are low. It includes both direct and indirect taxes (Corporate Income Tax, Personal Income Tax, Value Added Tax, Customs Duty, Excise Tax, etc). Tax legislation is mainly aligned with the standards of tax legislation of the European Union. The Tax Administration of Kosovo, as country's main enforcement agency with full autonomy administering the tax system in Kosovo, collects the following government central taxes:

Value Added Tax (VAT)



Personal Income Tax



Corporate Income Tax



Withholding Tax



Pension Contributions



Issuance of licenses for Game of Chance



Corporate Income Tax

The Corporate Income Tax is applicable to taxable corporate income and is paid every three months. Based on Law On Corporate Income Tax Nr. 06/L-105, the following corporate tax rates apply in Kosovo: 3-9% for annual income of 30,000 or less and 10% for annual income of 30,000 or more.

3-9%
Annual income of
30.000€ or less

10%
Annual income of
30.000€ or more

The following entities are subject to the corporate tax:

- Corporations or other legal persons;
- Business organization operating socially or publicly owned assets;
- Non-governmental organizations;
- Non-resident persons with permanent establishment in Kosovo.

Value Added Tax

Based on Law on Value Added Tax No. 05/L-037, the VAT is applicable to all persons who conduct economic activity and who exceed the annual turnover of 30,000 Euro.

18%
Standard rate

8%
Basic living goods

Personal Income Tax

Based on Law on Personal Income Tax No. 05/L-028 every person that receives an income that is taxable in the Republic of Kosovo is subject to this tax.

Tax rates for Personal Income Tax are:

Tax Rate	Monthly income in €	Annual income in €
0%	0 to 80	0 to 960
4%	80 to 250	960 to 3,000
8%	250 to 450	3,000 to 5,400
10%	450 and over	5,400 and over

Pension Contributions

The employer and employee contribute with **5%** each, from the employee's gross salary as a contribution to the employees pension savings.

Tax on Rent

Based on Law on Corporate Income Tax No. 06/L-105, the tax on rent is deducted from the gross rent and paid by the taxpayer/rentee at the rate of **9%**.

Tax on Property

The property tax is subject to Law No. 03/L-204 on Taxes on Immovable Property, which defines this tax as a local municipal tax to be collected and administered separately by each municipality. It is up to each municipality to define and determine the tax rate which range from **0.05%** to **1%** of market value of the property for each of the following categories:

Residential property | **Commercial property** | **Agricultural property**
Industrial property | **Immovable abandoned property and uninhabited building**

Incentives

To ease the market access for foreign investments and establish a decent infrastructure to attract, stimulate and create conditions for implementation of strategic investments, the government has adopted the **Law No. 05/L-079 on Strategic Investment**. Any strategic project that is either private and/or public-private can be subject to this law if the set criteria are fulfilled. The law applies principles of free competition, equal treatment, non-discrimination, transparency, proportionality and mutual respect. The investing entity can be local, foreign or public authority alone or in cooperation with any local or foreign investor.

The following criteria must be fulfilled to gain the status of strategic investment:

● The projects need to be related to one of the priority sectors identified by the Government of Kosovo that contribute to the economic development, employment, export growth, and overall improvement of the welfare of its citizens:

- a) Energy with Infrastructure and Mining
- b) Transport and Telecommunication
- c) Tourism
- d) Processing Industry

- e) Agriculture and Food Industry
- f) Health
- g) Industrial and Technological Parks
- h) Wastewater and Waste Management

● Have a minimum volume of investment as follows:

■ at least 30 million Euro for sectors a, b, f

■ at least 20 million Euro for sectors c, d

■ at least 10 million Euro for sectors e, g, h

- Investment entity must submit evidence, proving its financial capability to fulfil the investment
- Proposed investments must be in compliance with environmental standards defined by legislation of the Republic of Kosovo and European Union
- Proposed investments must not be in contradiction to the Constitution and obligations of the Republic of Kosovo defined by international conventions and agreements.

Human Resources

Labour market

Kosovo is characterized with a skilled and motivated labour force. Kosovo has the youngest population in Europe with **70% being under the age of 35**. Favourable demographics in combination with high literacy on foreign languages (particularly English and German), the low hiring costs and ease of hiring employees, make Kosovo one of the most favourable countries in the region to invest.



AGE	MALE	FEMALE	TOTAL
15-24	44.1	60.3	49.4
25-34	26.5	43.4	31.3
35-44	18.5	20.9	19.1
45-54	14.6	17.7	15.3
55-64	8.3	2.4	7.3
15-64	22.6	34.4	25.7

Unemployment rate in %



Education



Total number of pupils in pre-university institutions at all levels:

345,540



Public school institutions (kindergartens, primary schools, lower secondary and upper secondary schools):

1094

Universities



Number of Public Universities:

9



Total number of students at the Bachelor level in public and private universities (2019/2020):

63,846



Number of Private Universities:

24

Main study areas in
University of Prishtina "Hasan Prishtina"
Number of enrolled students in Bachelor level

Faculty / Study programmes	Year (2017/2018)
Faculty of Philosophy	673
Faculty of Mathematics and Natural Sciences	557
Faculty of Philology	580
Law Faculty	831
Faculty of Economics	1328
Faculty of Civil Engineering and Architecture	362
Faculty of Electrical and Computer Engineering	359
Faculty of Mechanical Engineering	333
Faculty of Medicine	350
Faculty of Arts	142
Faculty of Agriculture and Veterinary	471
Faculty of Physical Education and Sports	162
Faculty of Education	253

3. LEADING SECTORS

Information and Communication Technology (ICT)

ICT is one of the fastest growing sectors in Kosovo, with great economic importance. ICT companies in Kosovo are highly competitive and provide qualitative services for local and international markets. The skilled and educated workforce, the strategic location, euro as official currency, and the linguistic abilities, are what make Kosovo an attractive country for foreign investors in this area.

Facts about the sector

- Around 61% of ICT services are exported
- 65% of company income is generated from exports
- The average annual income is around 1 million €
- The average number of employees in 2019 is 16 per company
- 95% of company employees speak English
- The average salary in the sector is ca. 1,336 €
- The most attractive countries for the export of ICT products and services are Switzerland, Germany, North America (USA and Canada), and United Kingdom
- Main services offered are Software/IT services followed by services for hardware products and software products

Agriculture

The agriculture sector continues to be of high importance in Kosovo. The rich soil and the abundance of land enable Kosovo to continue its long-standing tradition of producing agricultural products.

Facts about the sector (2018)

- The sector is considered of key strategic importance, contributing with 7% to the GDP
- The total number of employees in this sector is ca. 13,000
- The total number of active businesses is 2,942
- The overall sector turnover is appropriately 460 million €
- The total export for agricultural products was 63 million €

Wood Processing

The wood processing sector is of great potential for development. Recently, there have been a lot of developments in terms of technology and capacity building contributing to the overall sector development.

Facts about the sector

- Out of country's total area of 10 905 km², around 40% or 465,000 hectares are woods
- In 2018, the exports amounted 5,6 million €
- Main wood products include kitchens, furniture, doors and windows
- There are around 2,000 companies registered as wood processors in Kosovo
- 80 of the most important companies, employ more than 3,000 workers
- 6 largest companies have turnover ranging from 1 to 6 million €.

4. TRADE REGULATIONS, CUSTOMS, PROCEDURES

Being located at the heart of Balkan, Kosovo's genuine location serves as a bridge connecting several countries of South East Europe. Its unique geographical location and liberal trade regime make Kosovo an attractive destination for FDI. Several trade agreements are in force, enabling easier access to foreign markets of over 500 million people with few or no custom duties. The agreements currently in force include:

Free Trade Agreements with 28 European Countries

The agreements state that all products from Kosovo, with some exceptions, enjoy full access to the EU market, whereas the EU products in Kosovo will be liberalized according to time limits progressively.

Central European Free Trade Agreement (CEFTA)

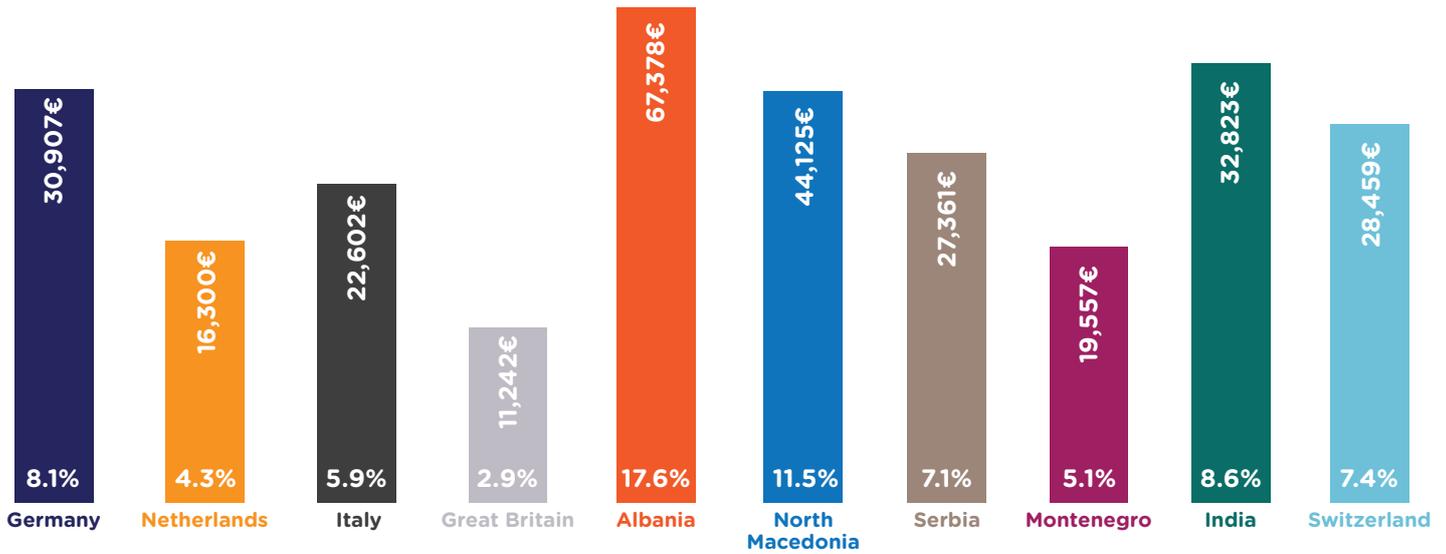
The agreement was signed between Albania, Bosnia and Herzegovina, Croatia, Kosovo, Moldova, Montenegro, North Macedonia, and Serbia with the aim of promoting investments, expanding trade of goods and services and eliminating trade barriers.

Stabilization and Association Agreement

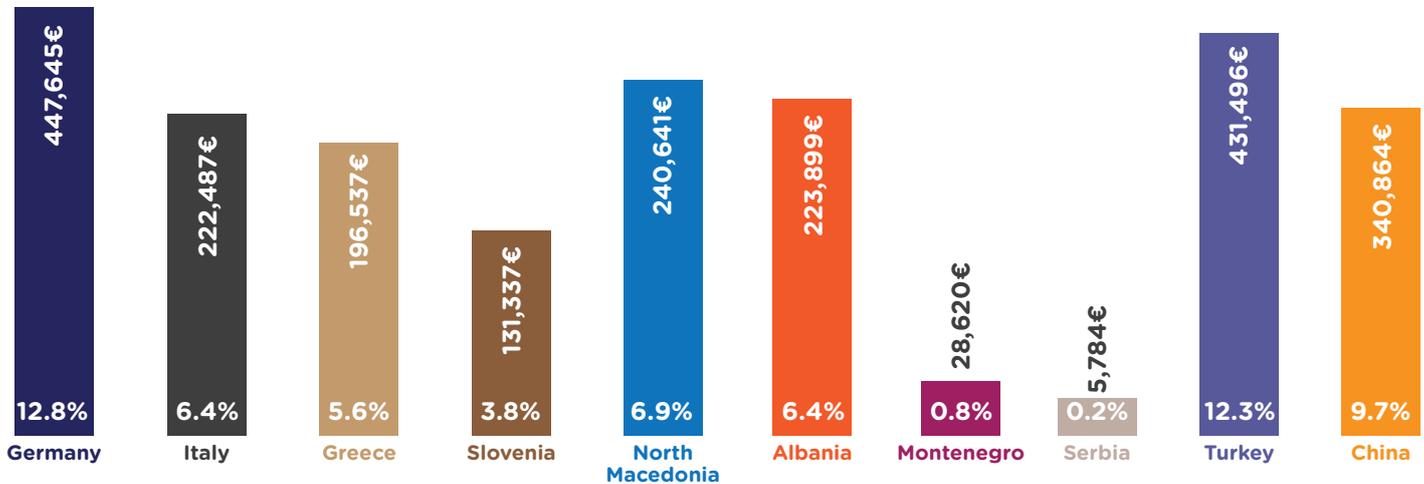
The Agreement allows the Kosovo industrial goods and services to be exported to EU and vice versa with reduced or removed custom tariffs.

KOSOVO EXPORT AND IMPORT SNAPSHOT (2019)

Kosovo Export Snapshot (2019)



Kosovo import snapshot (2019)



Customs

Kosovo Customs are regulated by Law No.03/L-109, which states that a rate of **10%** is imposed on imports and zero percent on exports. While there is a VAT rate to be paid at the Border Crossing for certain imported products, CEFTA member states enjoy VAT exemption on a wide range of capital and intermediary goods.

5. ECONOMY

GDP

Kosovo is Europe's youngest country and has maintained positive growth rates over the last twenty years. The growth is mainly driven by consumption, public investments, donor funds, FDI, and remittances. According to World Bank, the value of GDP for 2019 was **7 billion €**. Despite the positive growth rates, the unemployment rate still remains high. Even though the private sector has experienced significant growth in the last years, it has limited capacities to absorb around 30,000 youngsters who enter the labor market every year.

Foreign Direct Investments

Stable macroeconomic environment, favorable business infrastructure, advantageous location factors and multiple opportunities for investment, are some of the preconditions that make Kosovo an attractive country for foreign direct investments. Based on data from the Central Bank of Kosovo, the FDI inflows in 2018 amounted **214 million euros**. The origin of investments is mainly from Switzerland, Germany, Turkey, United Kingdom, and Austria.

Monetary and Banking System

Kosovo uses the Euro as its official currency even though it is not an official part of the Eurozone. As such it does not have a monetary policy of its own. The banking system in Kosovo consists of commercial banks, branches of foreign banks, microfinance institutions, foreign exchange institutions, non-banking financial institutions and money transfer agencies. Commercial banks dominate the market (10 in total) who own over 66 percent of the total assets in the financial sector. Their activity is dominated by loans, whereby the loans for enterprises dominate with **63.3%**.

6. COMING TO KOSOVO

Visa

Kosovo's favorable geographical location makes it a very easy country to access. Foreigners coming to Kosovo need to have a valid passport and depending on the country of origin, need to be equipped with visa. The visa exemption applies to EU or Schengen member states, Holy See Principality of Andorra Principality of Monaco the Republic of San Marino, Republic of Albania, Montenegro, and the Republic of Serbia.

The mentioned countries are allowed to enter, transit, and stay in Kosovo for up to 90 days within a six-month period with a valid biometric identification card. Coming to Kosovo is done by the Prishtina International Airport Adem Jashari, which is the only international civilian airport in Kosovo. Many worldwide airlines operate via this airport such as: Austrian Airlines, Corendon Airlines, Eurowings, Edelweiss Air, EasyJet, Germania, Germanwings, Norwegian Air Shuttle, Orange2fly, Pegasus Airlines, Scandinavian Airlines, Sunnexpres, Swiss, TUIfly, Turkish Airlines and Wizz Air.

Residence Permit

Citizens who enter the Republic of Kosovo and who wish to stay for more than 90 days, need to apply for a residence permit. Foreign traveler wishing to obtain a residence permit in Kosovo shall submit the following documents:

- Valid travel document
- Marriage certificate, family certificate or the child's birth certificate
- Document identifying a citizen of the Republic of Kosovo or the sponsor
- Financial document exemplifying that the applicant has the necessary means for living
- Evidence of ensured residence
- Evidence that the citizen is not convicted
- Health insurance
- Should not have been subject to a refusal of entry into the Republic of Kosovo
- Proof of vaccination in cases when a foreigner comes from a country which is declared as having epidemic status

7. ABOUT ECIKS

ECIKS is a professional consulting services firm that delivers value, change and lasting impact to a wide range of international clients. Our widespread experience is grouped in two areas:

Private sector consulting: Through an agile and dedicated team of professionals specializing in management consulting, business development, and financial advisory we help private sector companies to perform better and harness the power of digital innovation. Through our wide network of partners, we establish market linkages, alliances and partnerships.

Public sector consulting: We are specialized in helping top-level decision-makers in the public sector to constantly seek for and apply impactful and sustainable solutions. Our services include capacity development, private sector development, economic growth and economic development, FDI and export promotion. While working in challenging environments and regions, we have a successful track record in achieving tangible results. We take pride of our expert's broad experience and expertise, therefore our offices and contact points are located in Vienna, Zurich, Prishtina right where our customers are situated.

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