
Individual Taxation

KOSOVO

INDIVIDUAL TAXATION IN KOSOVO

Residents are subject to tax on their worldwide income from any source. Non-residents are taxed on their Kosovo-source income only. Income tax is assessed in the tax year on a current year basis.

Income tax is calculated annually. The fiscal year starts on 1st of January and ends on 31st of December. The deadline to submit the annual personal income declaration is no later than 31st of March of the following year.

The sources of income consist of income generated on the basis of:

1. Personal income (wages)
2. Economic activities
3. Interest
4. Intangible property
5. Capital gains
6. Use of Movable and Immovable property
7. Other income e.g., lottery winnings

Income represents the sum of taxable income realized in the tax period.

Applicable Law:

- Law on personal income tax 05/L -028

1. Tax Rates

Tax rates for personal income:

- ✓ 0% on the amount of taxable income up to €960
- ✓ 4% on the amount of taxable income from €961 to €3,000.
- ✓ 8% on the amount of taxable income from €3,001 to €5,400
- ✓ 10% for income over €5,400

Capital gains are subject to tax at the same rates as ordinary income.

2. Taxable Incomes - Country's specifics

<i>Income Type</i>	<i>Taxable Amount</i>
Income from wages and other compensations derived from employment	Income from wages includes salaries, bonuses, per diems, income from temporary work, health and life insurance premiums, pension contributions, forgiveness of the employee's debt, payment of the employee's personal expenses, and benefits-in-kind exceeding EUR 65 per month.
Income from economic activities	Certain allowances for business expenses are available to individuals who earn income from economic activities. Other contributions for humanitarian, health, education, religious, scientific, cultural, and similar purposes are deductible up to 10% of taxable income. For specific contributions an additional allowance of 10% is available.
Interest Income	Interest payments made to residents and to nonresidents are subject to a 10% withholding tax. The tax rate for nonresidents may be reduced under a tax treaty.
Income from Royalties	Income from Royalties both for residents and non-residents are subject to a 10% withholding tax. The tax rate for nonresidents may be reduced under a tax treaty.
Income from immovable Property	Rental payments made to residents and to nonresidents are subject to a 9% withholding tax.

3. Exempted Income

Specific income categories shall be exempted from personal income tax, some of the categories include the following:

- Wages of foreign diplomatic and consular representatives and foreign personnel of Embassies and foreign Liaison Offices in Kosovo
- Wages of foreign representatives, foreign officials and foreign employees of:
 - international governmental organizations and international non-governmental organizations having registered in accordance with applicable legislation in Kosovo and received and maintained public benefit status under such legislation;
- Wages of foreign representatives, foreign officials and foreign employees of donor agencies or their contractors or grantees carrying out humanitarian aid, reconstruction work, civil administration or technical assistance within Kosovo;

- Wages received by foreign and locally recruited officials of the United Nations and its Specialized Agencies and the International Atomic Energy Agency. The same exemption shall apply to entitled and duly authorized international inter-governmental financial institutions operating in Kosovo;
- Wages of foreign personnel of KFOR and EULEX;
- 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 and expenses, including hospitalization and medication, other than wages paid during the periods of absence from work due to sickness or injury.

4. Other Important Considerations

Foreign Tax Relief	A resident taxpayer who receives income from an economic activity outside Kosovo and who pays tax in that country on the income received is allowed a tax credit for the foreign tax paid, up to the amount of tax that would be charged in Kosovo on the same income.
Net wealth/worth tax	Net wealth/worth tax
Property Transfer Tax	There is no transfer tax
Real property tax	Municipal authorities levy "rates" on the occupation of real estate property. The rate is set on an annual basis between 0.05% and 1% of the market value of the property. The taxable value of a property used as a principal residence may be reduced by a cup of EUR 10,000

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