Tax Regime in Kosovo

In order to have a more EU-compatible fiscal policies and legislation, Kosovo has developed a fiscal system based on the best experiences and policies of the EU. This applies to both tax and customs policies including direct and indirect taxes (Corporate Income Tax, Personal Income Tax, Value Added Tax, Customs Duty, Excise, etc.).

The tax system in Kosovo consists of a package of tax laws and administrative instructions. This document covers the following information:

- Corporate Income Tax (CIT)
- Personal Income Tax (PIT)
- Value Added Tax (VAT)
- Customs Duty;
- Excise;
- Specific provisions;
- Transfer of prices;
- Avoidance of double taxation.

The document is based on the relevant laws currently in force and information from the Tax Administration of Kosovo and Kosovo customs.

I. CORPORATE INCOME TAX (CIT)

Corporate Income Tax is applied to taxable corporate income. Taxpayers with annual gross income of €50,000 or less are taxed at 3% (for activities such as trade, transport, agricultural and similar commercial activities) or 9% (for service, professional, vocational, entertainment and similar activities). Taxpayers with annual gross income of over €50,000 are taxed at 10% of their taxable income.

- **Taxable Income** for a tax period is the difference between gross income received or accrued during the tax period and the deductions allowable with respect to such gross income.

- **For Corporate Income Tax the tax period** is the calendar year.

- **Taxpayers**, according to the Law on Corporate Income Tax, are:
  - a corporation or other business organization that holds the status of a legal person under the law applicable in Kosovo,
  - a business organization operating with public or socially owned assets,
  - an organization registered as a nongovernmental organization;
  - a non-resident person with a permanent establishment in Kosovo.

- **Object of Taxation**
The object of taxation for a resident taxpayer is taxable income from a source in Kosovo and from a foreign source. The object of taxation for a non-resident taxpayer is taxable income from a source in Kosovo.

- **Tax rate**
  Corporate Income Tax is ten per cent (10%) of taxable income.

- **Exempt Income**
The following income is exempt from Corporate Income Tax:
  - the income of NGOs that have received and maintained public benefit status to the extent that the income is used exclusively for purposes of public benefit;
  - Income of the Central Bank of Kosovo and international governmental financial institutions approved and duly authorized to operate in Kosovo;
  - Interest on financial instruments issued or guaranteed by the Public Authority of Kosovo;
  - Income of religious communities under the Law on Religious Freedom in Kosovo for exercising economic activities specific to their self-sustainability;
  - Income of a prime contractor or a subcontractor, other than a local person, generated from contracts for the supply of goods or services to the United Nations, the Specialized Agencies of the United Nations, KFOR and the International Atomic Energy Agency.
  - Income of a prime contractor or a subcontractor but other than a local person, generated from contracts with
foreign governments, their bodies and agencies, the European Union, the Specialized Agencies of the European Union; the World Bank, the International Monetary Fund and international inter-governmental organizations for the supply of goods or services in support of programs and projects for Kosovo.

- Income received from grants, subsidies and donations, in line with the terms and conditions of beneficiary
- Dividends paid or received for the resident and non-resident person.

• Tax Loss
The amount of the tax loss may be carried forward for up to six (6) successive tax periods and shall be available as a deduction against any income in those years.
If the business changes ownership of more than fifty per cent (50%) or if a personal business enterprise is changed in another form of business (legal entity, partnership or similar.), the transfer of the loss shall not be allowed.

• Representation Costs
The representation costs are allowed as expenses up to a maximum of one per cent (1%) of total gross income.

• Depreciation
All tangible property of the taxpayer that is subject to depreciation shall be assigned to one of the following categories:
- **Category 1** - depreciation rate 5%, which include: construction buildings and other structures.
- **Category 2** - Depreciation Rate 20%, which include: automobiles and light trucks, heavy transport vehicles, earth transporting equipment, bulldozers, scrapers and other heavy vehicles, computers, peripherals and other devices for data processing, furniture and office equipment, instruments, sundries and other accessories, and livestock used for production or breeding;
- **Category 3** - depreciation rate 10%, %, which include: plant and machinery; railway inventory and locomotives used for rail transport; airplanes; ships; perennial plants and trees used for viticulture or production of fruits such as apples, pears, walnuts, blueberries and other; and all tangible assets not included in Category 1 or Category 2.

• Amortization
Expenditure on intangible assets, which have a limited useful life including patents, copyrights, licenses for drawings and models, contracts and franchises are deductible in form of amortization charges under the straight-line method and the allowance is based on deadline of property use specified in the legal agreement governing the acquisition and use of the intangible asset.

• Special deductions for New Assets
Special deductions are allowed of ten per cent (10%) of the acquisition price of assets in the year in which the asset is first put into service.
The deduction of ten per cent (10%) is in addition to normal deduction of allowable depreciation.
The deduction is allowed only if the asset is new or is first put into service in Kosovo. The deduction is not allowed if the asset is transferred from an existing or a former business in Kosovo.

• Withholding tax on wages, pensions, interest, royalties and rent
An employer who is the employee’s principal employer shall withhold an amount of tax for the relevant period of wage payment, in accordance with the rates specified in Article 6 of the Law No. 05/L-028 on Personal Income Tax.
An employer who is not the employee’s principal employer shall withhold an amount of ten per cent (10%) of taxable wage for the tax period.
Pensions paid by, or on behalf of the Kosovo Pension Savings Fund or an authorised supplementary pension fund regulated by the law on pension contributions and health insurance under the Law on Health Insurance, subject to the withholding at source pension payer or health insurance on such rates provided in the relevant legislation on Personal Income Tax;
A taxpayer who pays interest for loans including borrowings or property rights, residents and non-residents, withholds tax at source at the rate of ten per cent (10%) at the time of payment of interest or credit to the account of the beneficiary and transfers the tax withheld at source to the account designated by TAK in a bank or financial institution licensed by the Central Bank of Kosovo.
A taxpayer who pays rent withholds nine per cent (9%) at the time of payment of rent and transfers the tax withheld to an account designated by TAK in a bank or financial institution licensed by the Central Bank of Kosovo.

• Withholding tax at source for specific categories
A taxpayer who makes payments to non-commercial individuals, farmers, collectors of recyclable materials, berries, herbs and similar, withholds tax at the time of payment at source at the rate of three per cent (3%) in gross charge.

• Withholding at source on certain payments to non-residents
Income attributable to a non-resident for services rendered physically in Kosovo, as an entertainer, such as a theatre, motion picture, artists, singer or musician, or as a sportsman, from his or her activities are subject to withholding tax at source by the payer of income, whether paid directly or indirectly to non-resident. Further on, income derived from agreements or contracts, whether written or oral, by persons
or entities of Kosovo, by a non-resident person or entity for services rendered physically in Kosovo, are subject to the withholding tax at source by payer of income, unless the non-resident person or entity has no permanent establishment in Kosovo.

The amount of the withholding tax is five per cent (5%) of the gross compensation.

• **Handling of Insurance Activity**
  Insurance companies (who insure or re-insure life, property, other risks) pay 5% tax on gross premiums of tax period (instead of Corporate Income Tax).

• **Requirement for Books and Records**
  A taxpayer with annual gross income of fifty thousand euro (€50,000) or more and those with annual gross income lower than fifty thousand euro (€50,000) who opt to be taxed on the basis of real income, keep the books and records in compliance with requirements set out in Article 35 of the Law on Corporate Income Tax and the Law on Tax Administration and Procedures. Therefore, such a taxpayer keeps books and records in line with Kosovo Accounting Standards.
  A taxpayer with annual gross income of up to fifty thousand euro (€50,000) who did not choose to be taxed on the basis of real income keeps the books and records in line with the requirements set out in Article 36 of the Law on Corporate Income Tax and the Law on Tax Administration and Procedures.

• **Tax declaration**
  A taxpayer, who is required or he/she chooses to be subject to taxation based on real income, is obliged to prepare and declare income, adjusting income and expenses reported for tax purposes.

• **Tax Payments**
  A taxpayer with annual gross income of fifty thousand euro (€50,000), who is not required or chooses not to be subject to taxation in real bases, makes quarterly payments as follows:
  - Three per cent (3%) of the gross income received from trade, transport, agricultural and similar commercial activities for each quarter, but not less than €37.5 per quarter;
  - Nine per cent (9%) of the gross income received from services, professional, vocational, entertainment and similar activities for each quarter, but not less than €37.5 per quarter;
  - Ten per cent (10%) of the taxable income of the rent for the quarter (of gross rental income reduced by deductions allowable under article 9, paragraph 4 of the Law on CIT), reduced by any amount of tax withheld at source during that quarter in line with Article 30, paragraph 3 of the Law on Corporate Income Tax;

  A taxpayer who has no income in a quarterly period, no charge is required, but the taxpayer is obliged to submit the form with zero payment obligations.
  Taxpayers with annual gross income over fifty thousand euro (€50,000) and those who choose voluntarily to be taxed on real income are required to make quarterly advance payments for Corporate Income Tax as follows:
  - One quarter (1/4) of the total tax liability for the current tax period based on estimated taxable income reduced by any amount withheld during the quarter related to that income, in line with relevant legislation on Corporate Income Tax, or
  - For the second and subsequent tax periods whereby a taxpayer makes payments under this paragraph, at least one quarter (1/4) of one hundred and ten per cent (110%) of the total tax liability for the period prior to the current period decreased by any amount withheld during the quarter related to that income, in line with relevant legislation on Corporate Income Tax.

  A taxpayer who makes quarterly advance payment is required to make an annual declaration of final tax settlement and pay the amount due by 31st March of the year following the tax period.

II. **PERSONAL INCOME TAX (PIT)**

Personal Income Tax applies to all income that an individual receives taxable under the Law on Personal Income Tax.

• **Taxpayers** under the Law on Income Tax Personal are: natural persons, resident and non-resident, personal businesses, partnerships and companies who receive or create gross income from all sources, including wages, business activity, rents, lottery winnings, interest, dividends, capital gains, use of intangible property, pensions, and any other income that increases the taxpayers’ net worth.

• **The taxable period** for Personal Income Tax is the calendar year.

• **Object of taxation**
  The object of taxation for a resident taxpayer is taxable income from a source in Kosovo and from a foreign source. The object of taxation for a non-resident taxpayer is taxable income from a source in Kosovo.
• Gross income
With the exception of income that is exempted from tax under the law, gross income shall mean all income received or accrued from any source, including: wages, rent, business activity, the use of the intangible asset, interest, capital gains, lotteries and other games of chance, pensions paid by an employer, or in line with the Law on pensions in Kosovo and any other income that increases the taxpayer’s net worth.

• Taxable income (New Writing) for a tax period shall mean the difference between gross income received or derived / accrued during the tax period and deductions / allowances allowable with respect to such gross income.

• Tax rates
Personal Income Tax is applicable at the following rates:

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>Monthly income</th>
<th>Annual income</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0 to 80</td>
<td>0 to 960</td>
</tr>
<tr>
<td>4%</td>
<td>80 to 250</td>
<td>960 to 3000</td>
</tr>
<tr>
<td>8%</td>
<td>250 to 450</td>
<td>3000 to 5400</td>
</tr>
<tr>
<td>10%</td>
<td>450 onwards</td>
<td>5400 onwards</td>
</tr>
</tbody>
</table>

Taxpayers with annual gross income of €50,000 or less are taxed at 3% (for activities such as trade, transport, agricultural and similar commercial activities) or 9% (for service, professional, vocational, entertainment and similar activities).

Taxpayers with annual gross income over €50,000 and those who have voluntarily chosen to be taxed on real income are taxed at the following rates:

- For taxable income, nine hundred and sixty Euros (€960) or less, zero per cent (0%);
- For taxable income over nine hundred and sixty Euros (€960) to three thousand euros (€3,000), including the amount of three thousand euro (€3,000), four per cent (4%) of the amount over nine hundred and sixty euro (€960);
- For taxable income over three thousand euro (€3,000), up to five thousand and four hundred (€5,400), including the amount of five thousand and four hundred (€5,400), Eighty-one point six euros (€81.6) plus eight per cent (8%) of the amount over three thousand euro (€3,000); and
- For taxable income over five thousand and four hundred (€5,400), two hundred and seventy-three point six euro (€273.6) plus ten per cent (10%) of the amount over five thousand and four hundred (€5,400).

• Exempted Income
Exempted income From Personal Income Tax is as follows:

- Wages of foreign diplomatic and consular representatives and foreign personnel of Embassies or Liaison Offices of foreign countries in Kosovo;
- Wages of representatives and foreign officials and foreign employees of international governmental organizations and international non-governmental organizations;
- Wages of representatives and 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 of foreign personnel of KFOR and EULEX;
- Income from life insurance policies payable as the result of death of the insured person;
- Income of a prime contractor or a subcontractor other than a local person, generated from contracts with foreign governments, their bodies and agencies, European Union, etc.
- Wages of persons with disabilities, as required by the respective laws for these categories;
- Pensions and social welfare payments paid by the Government;
- Assets received or the value of assets received as a result of inheritance;
- Educational expenses paid by an employer on behalf of an employee;
- Scholarships received by an individual to attend an higher education institution, vocational school, while the scholarship is paid directly to the institution;
- Expenses for attending the training program paid by an employer for an employee to participate in formal training programs to acquire job-related skills;
- Benefits for damages obtained through the final decisions of the courts and specific compensation for court costs;
- Revenue in the form of remuneration from the public for achievement in science, sport and culture;
- Income received from grants, subsidies and donations in line with the terms and conditions of their benefit;
- Dividends received by resident and non-resident person;
• **Gross income from wages**
  Gross income from wages shall include:
  - Wages paid on behalf of an employer for work that the employee carries out under the direction of the employer,
  - Bonuses, commissions, allowances and other forms of compensation that an employer or any other person on behalf of the employer, pays to employees on wage,
  - Income earned from temporary work performed by an employee,
  - Income from potential employment, such as signing of a wage bonus,
  - Life insurance premiums that an employer pays for the employee,
  - Forgiveness of an employee’s debt or obligation to the employer,
  - Payment of expenses of the employee by the employer, and
  - Benefits in things that an employer gives to an employee that exceed the minimum amount determined through a bylaw issued by the Minister of Finance.

Gross income from wages shall not include:
  - Reimbursement of actual business travel up to the amount specified in the bylaws by the Minister,
  - Compensation for accidents at work,
  - Benefits in kind in the form of meals and transport provided by the employer to the employee, exempting the compensation in money, etc.

Taxpayers who receive or earn income from only one source such as wage which has been subject to withholding are not required to submit an annual tax declaration.

• **Income from second wage**
  An employer who is not the employee’s principal employer shall withhold an amount equal to 10% of the wages for each tax period.

• **Withholding tax at source on wages and pensions**
  Each employer is responsible for withholding tax from the gross income from wages of their employees during each payroll period.

An employer who is the employee’s principal employer shall withhold an amount of tax for the relevant period of wage payment in line with the following rates:

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>Monthly Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0 to 80</td>
</tr>
<tr>
<td>4%</td>
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<tr>
<td>8%</td>
<td>250 to 450</td>
</tr>
<tr>
<td>10%</td>
<td>450 onwards</td>
</tr>
</tbody>
</table>

An employer who is not the employee’s principal employer shall withhold an amount of ten per cent (10%) of taxable wages for the tax period.

Primary and secondary employer contributes five per cent (5%) on the gross wage of employees in pension contribution.

The employer deducts five per cent (5%) of the employee’s gross wage, and pays the pension contribution.

Each employer or person required to withhold tax on wages and pension contributions shall submit a tax declaration and withholding pension contribution and transfers the amount of tax and pension contribution withheld to an account designated by TAK in a bank or financial institution licensed by the Central Bank of Kosovo within fifteen (15) days after the last day of each calendar month.

• **Withholding tax on interest, royalties, rents, specific categories and non-residents.**
  Withholding tax on interest, royalties, rents, special categories and for non-residents is applied the same way as explained in the previous section on Corporate Income Tax.

• **Tax declaration**
  A taxpayer, who is required or who chooses to be taxed based on real income, is obliged to prepare and declare income, adjusting income and expenses reported for tax purposes.

• **Tax payments from business activities**
  A taxpayer with annual gross income of fifty thousand euro (€50,000), who is not required or chooses not to be taxed in real bases, makes quarterly payments as follows:
  - Three per cent (3%) of the gross income received from trade, transport, agricultural and similar commercial activities for each quarter, but not less than €37.5 per quarter;
  - Nine per cent (9%) of the gross income received from services, professional, vocational, entertainment and similar activities for each quarter, but not less than €37.5 per quarter;

A taxpayer who has no income in a quarterly period, no charge is required, but the taxpayer is obliged to submit the form with zero payment obligations.

Taxpayers with annual gross income over fifty thousand euro (€50,000) and those who choose voluntarily to be taxed on real income are required to make quarterly advance payments for personal Income Tax as follows:
  - One quarter (1/4) of the total tax liability for the current tax period based on estimated taxable income reduced by any amount withheld during the quarter related to that income, in line with relevant legislation on Personal Income Tax, or
- For the second and subsequent tax periods whereby a taxpayer makes payments under this paragraph, at least one quarter (1/4) of one hundred and ten per cent (110%) of the total tax liability for the period prior to the current period decreased by any amount withheld during the quarter related to that income, in line with relevant legislation on Personal Income Tax.

A taxpayer who makes quarterly advance payment is required to make an annual declaration of final tax settlement and pay the amount due by 31st March of the year following the tax period.

• Payments of income from rents
A taxpayer who receives income from rent, except those taxpayers whose business activity is renting of movable and immovable property shall make quarterly payments per year, ten per cent (10%) of taxable income received from rent (gross rental income minus ten per cent (10%) discount provided). Payment is made to an account designated by TAK in a bank or financial institution licensed by the Banking and Payments Authority of Kosovo no later than fifteen (15) days after the end of each calendar quarter.

III. VALUE ADDED TAX
Since September 2015, VAT has escalated in two rates, the standard of eighteen per cent (18%) and the rate reduced to 8% of the value of supplies of imported and domestic taxable supplies, except for exempted supplies and supplies treated as exports.

Reduced rate of VAT is calculated and paid eight per cent (8%) for the supply of goods and services, as well as their import, as follows:
- Water supply, except for bottled water;
- The supply with electricity, including transmission and distribution services, with central heating, waste collection and treatment of other waste;
- Whole grains such as barley, corn, varieties of corn, oats, rye, rice and wheat;
- Products made from cereal grains intended for human consumption, such as flour, pasta, bread and similar products;
- Cooking oils made from grains or oil seeds for use in cooking for human consumption;
- Milk and dairy products intended for human consumption;
- Salt suitable for human consumption;
- Eggs for consumption;
- Textbooks and serial publications;
- Supply including lending books from libraries, including brochures, leaflets and similar printed matter, books, children’s picture books for drawing and coloring books and music in printed or in manuscript, hydrographic maps and charts and similar;
- Information technology equipment;
- Supply with medicines, pharmaceutical products, institutions and medical and surgical devices.
- Medical equipment, ambulances, medical aids and other appliances in order to alleviate or treat disability, for the exclusive use of the disabled, including the repair of such goods, and supply of children’s car seats;

• Object of Taxation
A transaction is subject to VAT taxation in Kosovo, if the supply of goods or supply of services, against the payment made within the territory of Kosovo by a taxable person acting as such. Further on, the import of goods pursuant to the Law is subject to VAT taxation.

• Taxable Person
Taxable person is any person regardless if this person is natural or legal person, or organized in any other form recognized by law in Kosovo, which independently carries out an economic activity pursuant to the law, regardless of the place, purpose, or result this activity. The result (profit /loss) of economic activity is not important for VAT.

• Registration for VAT
Any person who meets all the conditions of the definition of taxable person is required to register for VAT if within the calendar year exceeds the turnover of thirty thousand euro (€30,000). Only the supply which results in exceeding the turnover will be taken into account for VAT purposes.

• Deregistration for VAT
Any person registered for VAT in mandatory or voluntary manner, may require from TAK to be deregistered from VAT, if during the last calendar year, its turnover has fallen below the threshold set by Article 6 paragraph 1 of the Law. Cancellation becomes effective two (2) months after the date of filing the application, if approved by TAK

• VAT Operation
In line with EU and VAT principles, exports are exempted from VAT with the right of deduction of input VAT. VAT on imports is collected in state borders of Kosovo. Holder of Transaction pays VAT on the basis of the customs value and any other import duty (customs and excise tax, if applicable) regardless of their origin. VAT is levied on imports and any supply of goods or services, except those which by law are considered as exempted supplies.
Pursuant to Law no. 05/L-037 on VAT, some supplies are exempted from VAT with the right to deduct input VAT and some supplies are exempted from VAT without the right to deduct input VAT.
• Arising of obligation to charge VAT
Time of obligation to charge VAT is the moment when supply of goods or services occurs. VAT is chargeable depending on which of the three events occurs first:
- Supply of goods or services,
- Issuance of the invoice related to the supply of goods or services, or
- Receipt of payment in advance/Advances, before the supply of goods or services occurs.

• Taxable amount
The taxable amount of the supply of goods or supply of services consists of all amounts, values, payments, goods or services received or to be received by the supplier of the goods/service provider charged for these supplies, against the buyer, client or a third party, including subsidies directly linked to the price of such supplies. Therefore, taxable amount of a taxable supply in Kosovo in regard with the supply of goods and services includes everything which constitutes consideration received or to be received by the supplier that provided the supply.

• Exemptions on import
During import, VAT is not paid for:
- Goods imported for the official use of diplomatic and consular offices and special missions accredited to Kosovo;
- Goods imported for the official use of international organizations, if these are laid down in the treaties or international agreements which apply to Kosovo;
- Goods imported for the purpose of personal use of the foreign staff of diplomatic and consular special missions accredited to Kosovo, including their family members;
- Goods imported for the armed forces of the North Atlantic Treaty Organization and KFOR;
- Gold, other precious metals, bank notes and coins imported by the Central Bank of Kosovo;
- The import of gas through the distribution systems of natural gas or import of electricity;
- Assembly lines and machinery for use in the production process;
- The raw materials used for the production process;
- Information technology equipment
- Newspapers and periodicals;
- Equipment and materials imported for the needs of printed and electronic media.
- Import of goods listed in Annex IV of the Law on VAT.

• Supplies exempted from VAT with the right to deduct input VAT, are:
- Exports
- Supply of goods and services related to international transport,
- Supply of goods or services under diplomatic and consular arrangements,
- Supply of goods or services to international and intergovernmental bodies recognized as such by the public authorities of Kosovo,
- Supply of goods or services to NATO and KFOR,
- The supply of gold to the Central Bank,
- Irrigation of agricultural lands,
- Supply of goods and services financed from the proceeds of donations;
- Supply of goods and services made to the United Nations or any of its agencies, the World Bank and international inter-governmental organizations;
- The supply of public goods and services made for religious communities in Kosovo;
- Air transport and international railway transportation of passengers and their accompanying goods etc.

• Supplies exempted from VAT without the right to deduct input VAT, are:
- The supply of hospital services and medical care;
- The supply of education services;
- The supply of services to welfare and social insurance;
- Supply of newspapers and periodicals, as well as supply of services from electronic media of radio and television;
- The supply of services for public transport of passengers and their luggage;
- The supply of life and health insurance and reinsurance services;
- The supply of financial services;
- Supply in the nominal value of fiscal stamps, postal stamps and other similar stamps;
- Supply of betting, lotteries and other games of chance;
- Supply of land, land on which the building or house stands;
- The supply of houses, apartments or similar, to be used for a relevant residential purpose including garages and basements, etc.

• Application of the VAT flat-rate for agricultural producers
Flat rate for agricultural producers is 8%. Calculation for agricultural producers made by the purchaser - taxable person, against supplies of goods made.

Flat rate is considered in the estimated purchase price of the goods.

The flat rate scheme is applied to the following products:
- General primary agricultural products;
- Ornamental plants, aromatic, medicinal, nature and greenhouses;
- Production of mushrooms and berries;
- Production of seedling (cultivation of new fruits and vegetables for sale) and seeds.
- Milk and dairy products;

IV. AVOIDANCE OF DOUBLE TAXATION
Kosovo currently has agreements for the Elimination of Double Taxation with the Republic Macedonia, Turkey, Great Britain, Slovenia, Hungary, Belgium, Finland, Albania, Germany and the Netherlands. Arrangements for the Elimination of Double Taxation with many other countries are in the process of negotiation.

V. CUSTOMS DUTIES
Customs duty is 0% - 10%
Most raw materials are exempt, Most of the equipment for the production are exempted under law 04/163.
Some of agricultural raw materials (such as seeds, etc,) and devices are exempted from Customs and VAT. Exemptions are made with the expansion of annex 04/L-163 published on 16.01.2014
Administrative Instruction no. 05/2015 dated 30.09.2015 added Annex 1 where drugs are exempted of chapter 30 and natural gas and LPG for energy.

Administrative Instruction 07/2016 dated on 12/10/2016 be added list of goods with zero tax which is added to Annex 1, Part B and Part D of Law in which are exempted goods; The calcined and uncalcined coke, petroleum oils and lubricating oils

VI. EXCISE
Excise duties apply to some local or imported goods such as cigarettes, liquor, water and other soft drinks, oil, etc. The law may exempt certain goods.
<table>
<thead>
<tr>
<th>Tariff Code</th>
<th>Fuel</th>
<th>Excise Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2711</td>
<td>Petroleum gases and other hydrocarbons nitrogenous</td>
<td>€0.15/ l</td>
</tr>
<tr>
<td>2707</td>
<td>Oils and other distillation products of coal tar at high temperatures</td>
<td>€0.325/ l</td>
</tr>
<tr>
<td>2710 11 (new no. 2710 12) and 2710 19</td>
<td>Petroleum oils and oils obtained from bituminous minerals (other than crude)</td>
<td>€0.325/ l</td>
</tr>
<tr>
<td>2710 1931 to 2710 1949 (new no. 27101948)</td>
<td>Gas oils (diesel)</td>
<td>€0.36/ l</td>
</tr>
<tr>
<td>2710196410 and 2710196490</td>
<td>Heavy Heating Oils</td>
<td>€0.25/ l</td>
</tr>
<tr>
<td>3604</td>
<td>Fireworks</td>
<td>€2/kg</td>
</tr>
<tr>
<td>271011131 (new no. 27101231) to 27101190 (new no. 27101290)</td>
<td>Alcohol for engine</td>
<td>€0.385/ l</td>
</tr>
<tr>
<td>2901, 2902</td>
<td>Cyclic and Acyclic hydrocarbons</td>
<td>€0.36/ l</td>
</tr>
<tr>
<td>3811</td>
<td>Other which are used for the same purposes as mineral oils</td>
<td>€0.36/ l</td>
</tr>
<tr>
<td>3814</td>
<td>Organic composite solvents and solvents</td>
<td>€0.36/ l</td>
</tr>
<tr>
<td>3817</td>
<td>Alkylbenzenes and mixed Alkynaphthalenes</td>
<td>€0.36/ l</td>
</tr>
<tr>
<td></td>
<td><strong>Excise Rate on Gambling Activities</strong></td>
<td><strong>Based on government decision</strong></td>
</tr>
</tbody>
</table>

**Calendar of Tobacco Excise, Customs Code 2402**

<table>
<thead>
<tr>
<th>Date</th>
<th>Excise Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 January 2016</td>
<td>€/41 conventional unit</td>
</tr>
<tr>
<td>01 January 2017</td>
<td>€/43 conventional unit</td>
</tr>
<tr>
<td>01 January 2018</td>
<td>€/45 conventional unit</td>
</tr>
<tr>
<td>01 January 2019</td>
<td>€/47 conventional unit</td>
</tr>
</tbody>
</table>

**Alcoholic beverage**

<table>
<thead>
<tr>
<th>Alcohol</th>
<th>Excise Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer</td>
<td>€800/ hl</td>
</tr>
<tr>
<td>Wine</td>
<td>€500/ hl</td>
</tr>
</tbody>
</table>

**Natural mineral and non-mineral water**

<table>
<thead>
<tr>
<th>Water Type</th>
<th>Excise Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drinking</td>
<td>€0.045/ kg</td>
</tr>
</tbody>
</table>

**Vehicles**

<table>
<thead>
<tr>
<th>Usage (years)</th>
<th>0 to 2000cc (€)</th>
<th>2001-3000cc (€)</th>
<th>over 3001cc (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
<td>300</td>
<td>800</td>
</tr>
<tr>
<td>8</td>
<td>400</td>
<td>400</td>
<td>1000</td>
</tr>
<tr>
<td>9</td>
<td>600</td>
<td>600</td>
<td>1500</td>
</tr>
<tr>
<td>10</td>
<td>700</td>
<td>800</td>
<td>1800</td>
</tr>
<tr>
<td>11</td>
<td>800</td>
<td>1000</td>
<td>2100</td>
</tr>
<tr>
<td>12</td>
<td>900</td>
<td>1200</td>
<td>2400</td>
</tr>
<tr>
<td>13</td>
<td>1000</td>
<td>1400</td>
<td>2700</td>
</tr>
<tr>
<td>14</td>
<td>1100</td>
<td>1600</td>
<td>3000</td>
</tr>
<tr>
<td>15</td>
<td>1200</td>
<td>1800</td>
<td>3300</td>
</tr>
<tr>
<td>16</td>
<td>1300</td>
<td>2000</td>
<td>3600</td>
</tr>
<tr>
<td>17</td>
<td>1500</td>
<td>2200</td>
<td>3900</td>
</tr>
</tbody>
</table>

**Used tires**

<table>
<thead>
<tr>
<th>Excise Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>€5/ piece</td>
</tr>
</tbody>
</table>

**Electric bulbs**

<table>
<thead>
<tr>
<th>Excise Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>€0.3/ piece</td>
</tr>
</tbody>
</table>

**Plastic bags**

<table>
<thead>
<tr>
<th>Excise Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>€3/ kg</td>
</tr>
</tbody>
</table>

**Contact:**

Ministry of Finance  
Department for Economic, Public Policies and Financial Cooperation  
Division of Fiscal and Public Policies  
Tel: +381 38 200 34 ext. 013  
E-mail: politikatfiskale.mf@rks-gov.net