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REVIEW AND OUTLOOK

Management of Tax Obligations and Strategy
for 2026

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Introduction

This material, prepared by **Baker Tilly Kosovo**'s experts on accounting, taxation, auditing, and business development, aims to help businesses in Kosovo navigate a **successful closure** of the 2025 fiscal year and **strategic planning** for 2026.

Economy and Commercial Law.

Kosovo's economy has responded positively to the dynamic changes of the global economy, creating a stable foundation for business development. Economic growth forecasts remain positive, averaging between 3.8% and 4.2% (World Bank, 2024; Central Bank of Kosovo, 2024). The World Bank forecasts growth of up to 3.8%, while the Central Bank of Kosovo projects more ambitious results, with expectations of up to 4.2% growth in 2026 (World Bank, 2024; Central Bank of Kosovo, 2024). This performance is supported by high consumption and investment activity, as well as expectations of easing inflation.

Kosovo achieved a sovereign credit rating of "BB" in 2024 (Standard & Poor's, 2024), marking stable development and strengthening Kosovo's profile as a market with strategic financial growth potential. The rating considers the country's low public debt and the efficiency of the banking sector, serving as a signal for international investors.

Strategic risks and shortcuts

The economic strengths outlined above also present certain weaknesses. Kosovo’s economic growth depends significantly on remittances from the diaspora, which account for approximately one-quarter of GDP (World Bank, 2024) and are primarily related to private consumption. Additionally, the economy depends on external markets and suffers from an imbalance between imports and exports. Kosovo must orient itself toward increasing production and exports.

Key obstacles remain present: the informal economy, low levels of regional integration, and high unemployment rates (World Bank, 2024). Therefore, efficient management of tax obligations and strategic planning become essential for maintaining financial stability.

Fiscal Year-End:
Accounting and Tax Obligations.

New Procedures from the Tax Administration of Kosovo (TAK)

Law No. 08/L-257 on the administration of tax procedures in Kosovo, which entered into force in January 2024, introduces several procedural changes for declaring tax obligations at the end of the fiscal year (ATK, 2024). These changes aim to accelerate processes and minimize errors.

Under the new regulation, taxpayers have the right to submit corrected declarations within three years of the filing deadline (ATK, 2024). The Tax Administration of Kosovo retains the right to review and audit declarations for up to six years under normal circumstances (ATK, 2024). This increases taxpayer responsibility for accuracy, as the correction window is shorter, while TAK's auditing authority remains unchanged. As a result, financial reports and tax calculations must be accurate and audit-ready upon submission.

According to TAK's internal regulation, refund requests will be reviewed within 30 calendar days of submission (ATK, 2024). The new law also restructures the penalty system by offering clearer categorization of penalties according to taxpayer type. TAK now has authority to impose administrative measures such as refusal or suspension of registration status in cases of irregularities by business leaders, as well as sanctions against business activities in escalated cases.

The complexity of the updated compliance framework poses risks for businesses lacking accounting strategy. Therefore, respecting deadlines and reporting rules ensures continuity and prevents compliance gaps. To avoid the risks of reporting deficiencies and to use the law to the business's benefit, companies must implement accounting strategies and systems that ensure financial well-being and profit optimization.

Financial Integrity and Reporting Requirements.

Kosovo's corporate income tax rate remains at 10% (ATK, 2024). Taxpayers have up to three months after the end of the fiscal year (typically March 31st) to submit refund requests and finalize obligations.

To minimize risk in fulfilling TAK obligations, clients are advised not to make uninformed accounting decisions, which often lead to documentation inconsistencies or imbalances between financial statements and bank accounts. Regular reconciliation of financial statements with bank statements helps identify erroneous transactions. This is the first step toward ensuring accurate tax declarations and avoiding issues with TAK. Corporate-level taxpayers interested in bad-debt deduction must implement detailed strategies and maintain coordinated accounting teams.

Challenges in Navigating EU Standards.

Kosovo's economy continues to integrate into the European market. Therefore, EU criteria for sustainable development will soon become de facto conditions for economic activity in the EU market, even though Kosovo is not an EU member (European Commission, 2025).
Among these requirements is the second wave of the Corporate Sustainability Reporting Directive (CSRD), postponed to 2028 (European Commission, 2025). However, this delay should not be misinterpreted as permission to ignore fundamental compliance obligations.

The transposition of the Corporate Sustainability Due Diligence Directive (CSDDD) presents an immediate requirement for operational compliance, posing a direct challenge for Kosovo-based companies exporting to the EU (European Commission, 2025). CSDDD establishes a legal obligation for enterprises operating in the EU to ensure respect for human rights and environmental standards across their global value chains, including non-EU companies exporting goods or services into the EU.

Kosovo businesses must take proactive measures to identify actual and potential impacts on workers' rights and environmental issues to maintain access to EU markets. Businesses must invest in strategic advisory services that ensure compliance with these directives-
a necessity for continued export activity into the EU.

Business Strategy for 2026.

Strategic planning for 2026 prepares businesses to seize opportunities while protecting themselves from possible risks. Considering the political and economic landscape, the importance of the private sector as a stabilizing factor continues to increase.

International enterprises in Kosovo, including Baker Tilly Kosovo, must also consider global tax reforms even if domestic laws do not change. Although Kosovo maintains a 10% corporate tax rate (ATK, 2024), international enterprises operating in EU and U.S. jurisdictions must adapt to global tax changes, including Foreign-Derived Deductions and adjustments to NCTI, which will take effect starting January 1st, 2026 (OECD, 2025).

Cross-functional coordination and proactive strategies within international networks ensure that economic activity modeling aligns with global frameworks.

Foundational Infrastructure.

Economic growth requires increased competitiveness in the private sector and reduced dependence on remittances (World Bank, 2024). Kosovo faces gaps in energy, infrastructure, and human capital investment. Given the BB sovereign credit rating (Standard & Poor's, 2024), clients rely on advisory support for capital structuring and investment preparation- including business valuation, feasibility analysis, and detailed business plans — which are essential for attracting international financing for large-scale projects.

The long-standing issue of the informal economy remains a barrier to overall production growth (World Bank, 2024). Businesses must invest in strategies that formalize SMEs and micro-enterprises to position themselves as formal operations eligible for financing and lower regulatory and compliance risks.

Human Capital, Digitalization, and Employment.

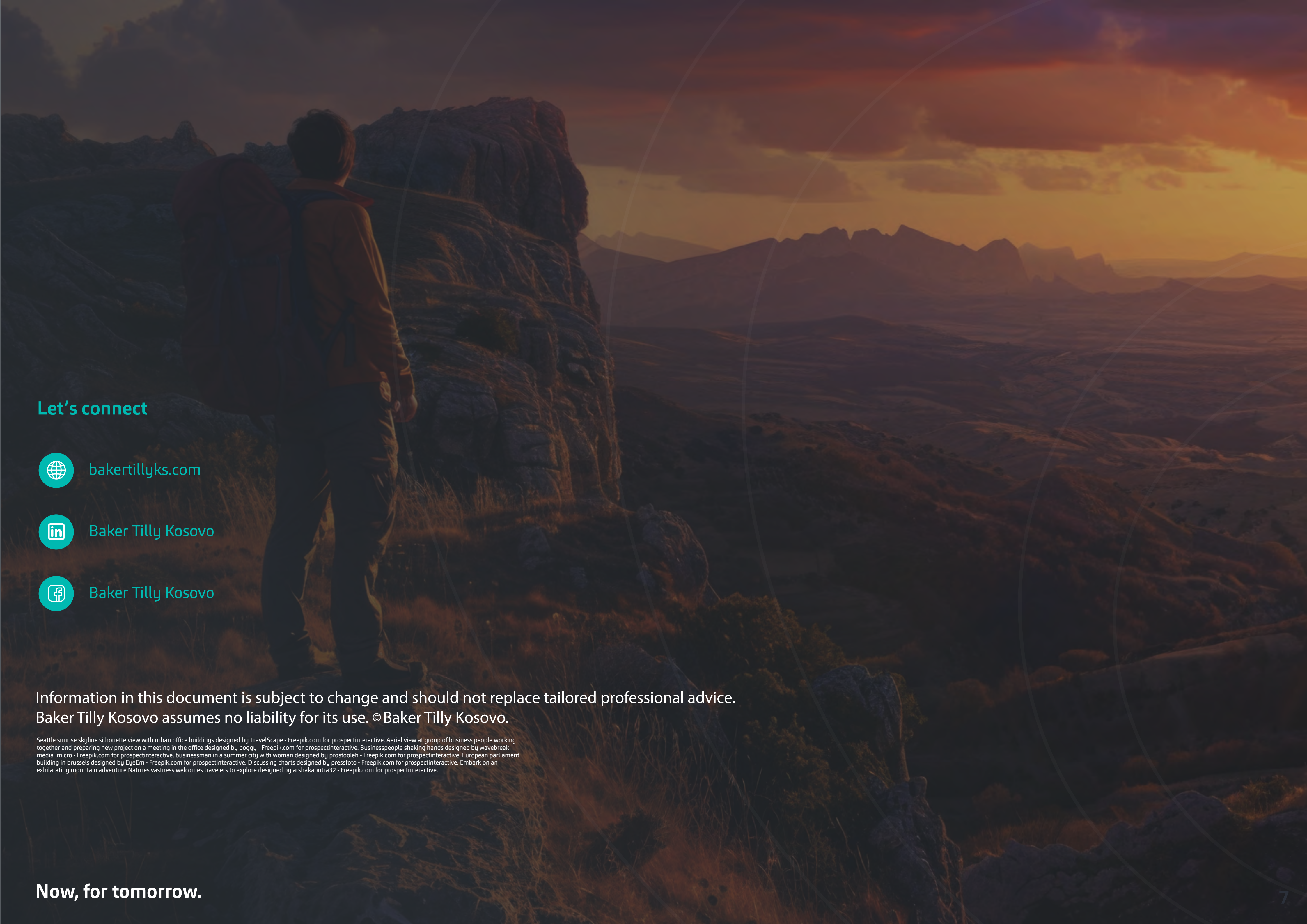
Kosovo's labor market suffers from structural weaknesses that hinder economic growth. Kosovo continues to face high unemployment and low female workforce participation (World Bank, 2024). Strategic advisory services help proactive businesses become agents of change in restructuring human capital.

International investment demands a highly productive and skilled workforce. Barriers that restrict women's participation in the labor market must be addressed by policymakers and businesses. Companies should implement supportive policies such as subsidies and internal childcare solutions to create better conditions for female employment, while improving early childhood education.

Beyond these social development factors, businesses in 2026 must also invest in expanding digitalization capabilities as a fundamental tool for long-term growth. Companies must integrate systems that optimize operations, enhance data collection, and reduce manual labor to increase production, quality, and profitability (European Commission, 2025).

Given that digitalization is often a key criterion for attracting international investment, organizational planning and advisory services for implementing these strategies should be considered essential investments for remaining aligned with global developments.

The combination of digitalization, human capital development, and compliance with international standards will determine the success of Kosovo's businesses in 2026 and beyond.



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