Fiscal policy and foreign trade as a determinant of economic development: A Case of Kosovo

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Abstract

The purpose of this paper is to identify the role of fiscal policy in Kosovo, comparing with the Western Balkan countries, in the trends of economic development, which are related to the international market, and how to achieve the objectives of the economy of Kosovo, penetrating the foreign market of local companies, using fiscal policy instruments. Data processing is performed using deductive-analytical methods, describing and comparing research findings by commercial companies, extracting data and comparing official reports of national and international institutions on the role of policies analysis in the Western Balkan countries and in Kosovo, and the results of the research are based on these analyzes. Each sovereign state has its own fiscal policy operating within the fiscal system of that country, which also influences the development trends of international trade, the same applies to Kosovo and the Western Balkan countries, where this policy includes customs tax, VAT, tax in personal income, etc. The government of the country, through fiscal policy instruments creates conditions for companies to be as present in the foreign market as possible with their products, which impacts on the overall economic development of the country, achieved. The paper provides insights into the state of the fiscal system in Kosovo, how fiscal policy affects the creation of conditions for foreign trade development, where is Kosovo’s economy is in relation to the Western Balkan countries and what are the steps needed to improve it. The paper provides real data on the state of the fiscal system in Kosovo and its full role in the development of foreign trade in relation to the Western Balkan countries.

Key words: Fiscal policy, International trade, International agreements, Fiscal system, Economic development
Introduction

Each of sovereign state, has its own fiscal policy, that operates within the fiscal system of that country, which also influences in the development trends of international trade, the same applies to Kosovo, where the instruments of this policy are customs tax, VAT, tax in personal income, etc. In what is now called “integration” time, states through international agreements aim to regulate areas of common interest, so that the fiscal systems of sovereign states are harmonized, in order to respond to the same and common objectives of those states, such a thing would be welcome, for the countries of the Western Balkans, as well. The government of the country, through fiscal policy instruments, creates conditions for companies to be more present in the foreign market, with their products, which affects the overall economic development of the country.

In Kosovo, the legal system regulates the sphere of the tax system as an instrument of fiscal policy, the tax system is compatible with the rules and principles of the International Monetary Fund and the European Commission.

One of the main fiscal policy instruments in the countries are taxes on imports, Kosovo belongs to the category of countries still in transition, it has a slow economic development, the country's budget depends heavily on the collection of import taxes at the border. In this context, the Kosovo customs institution as an instrument of fiscal and trade policy implementation plays a very important role.

Fiscal policy in relation to foreign trade in Kosovo

Fiscal policy represents the use of charges and taxes to cover the country's public expenditures in order to generate economic growth, increase employment, protect the fiscal system from inflationary cycles, and so on.

Fiscal policy in Kosovo, through its mechanisms is oriented towards overseeing fiscal resources in order to cover state expenditures with focus on economic development trends, in the supervision and direct orientation of national income, focusing on price stability, level of employment, economic development, having a role also in the development of foreign trade. Trade is a part of the social reproduction (Berisha, 2008), and in function of export stimulation using the main fiscal policy instruments such as border taxes, charges and taxes within the country.

Fiscal policy instruments are regulated with legal infrastructure. In Kosovo, there are in function Laws, Guidelines, and Regulations that function and orient the manner of collection and spending of state finances. Legal infrastructure consists of:

- Law 05 / L-037 on Value Added Tax - VAT,
- Law 05 / L-028 on Personal Income Tax,
- Law 05 / L-029 Corporate Income Tax,
- Law 04 / L-021 on Excise Tax on tobacco products,
- Law 03 / L-220 on Excise in Kosovo,
- Law 03 / L-222 on Tax Administration and Procedures,
- Law 03 / L-109 on the Customs Code and Excise,
- Law 03 / L-209 on Central Bank of Kosovo, etc.

Fair use of fiscal policy instruments also determines the development of foreign trade. Kosovo is a transition country and in the last 20 years its society has been identified with a weak economy where the focus has been consumption but very little the production, where 100% of import goods are covered by about 14% of exports, this represents a huge deficit in foreign trade exchanges and it represents a bad economic situation in Kosovo, and this analysis shows that the only commodity that has been exported from Kosovo is money.
Table 1: Import – export report during 2017-2018 in Kosovo,

<table>
<thead>
<tr>
<th>Value of exp / imp goods in €, 000</th>
<th>2017</th>
<th>2018</th>
<th>Difference in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import by value (IM4)</td>
<td>3,006,455</td>
<td>3,325,693</td>
<td>+9.60%</td>
</tr>
<tr>
<td>Export by value (EX1)</td>
<td>313,002</td>
<td>329,210</td>
<td>+4.92%</td>
</tr>
<tr>
<td>Re-export by value (EX3)</td>
<td>124,269</td>
<td>147,666</td>
<td>+15.84%</td>
</tr>
<tr>
<td>Total export + Re-Export</td>
<td>437,271</td>
<td>476,876</td>
<td>+8.3%</td>
</tr>
</tbody>
</table>

% of EXP in IM 14.50% % of EXP in IM 14.33%

Source: www.dogana.rks-gov.net, Annual report 2018 – Kosovo Customs,

Among the countries of the Western Balkans, Kosovo is the country with the lowest economic development and in this dispute should be thought of deep reforms in the country’s fiscal policies. Other Balkan countries such as Albania, Montenegro, Serbia, North Macedonia, and Bosnia and Herzegovina stand better in terms of economic development, this is confirmed by GDP per capita - provided by the International Monetary Fund-IMF:

Table 2: GDP per capita in Kosovo and the Western Balkan countries,

<table>
<thead>
<tr>
<th>GDP per capita according to IMF</th>
<th>Per capita income / years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kosovo</td>
<td>4,450.00</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>5,750.00</td>
</tr>
<tr>
<td>Albania</td>
<td>5,560.00</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>6,200.00</td>
</tr>
<tr>
<td>Serbia</td>
<td>7,530.00</td>
</tr>
<tr>
<td>Montenegro</td>
<td>8,710.00</td>
</tr>
</tbody>
</table>

Source: www.imf.org, GDP per capita report, World Economic (April 2019),

Foreign trade represents an important activity of the economy in general which deals with the country’s economic relations with other countries of the world in the area of sales and purchasing of goods and services in the conditions of contemporary development of the international economy, there cannot be autarkic economy (Limani, 2003).

There is a need for Kosovo to have economic relations with other countries, the more Kosovo’s products are present in the foreign market the more economic development will be. In all developed countries - even in Kosovo, the resources usually appear in the form of scarcity, so to meet their needs, states create bridges of cooperation with other independent states. The Fiscal System as part of the economic system, in general, has a great impact on determining the dynamics of foreign trade development and in this context Kosovo has issued favourable laws that are compatible with laws in EU countries.

Foreign trade has an impact on the economic development trends in all countries. According to data from the World Bank Report, in the Western Balkans and Kosovo, GDP in 2017 - 2018 has this trend of performance:
Table 3: The trends of GDP growth in Kosovo and the Western Balkan countries,

<table>
<thead>
<tr>
<th>Trends in% of GDP growth / decrease in the Western Balkans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Kosovo</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
</tr>
<tr>
<td>Albania</td>
</tr>
<tr>
<td>North Macedonia</td>
</tr>
<tr>
<td>Serbia</td>
</tr>
<tr>
<td>Montenegro</td>
</tr>
</tbody>
</table>

Source: www.worldbank.org/eca/seerer, Report no.10 for Southeast Europe,

The increasing liberalization of global economy undoubtedly requires, on one hand, the coordination and harmonization of the country's fiscal systems and mechanisms and on the other hand, the preservation of national fiscal sovereignty in line with the specifics of the respective countries, in this context Kosovo has tendency to maintain a balance between favourable laws that have implications for revenues and realization of revenues for the Kosovo budget.

The development of foreign trade creates numerous economic and political advantages which are conditioned by the course of the global economy and this development of globalization should tend the developing countries to make the most use, in this context since 2010 Kosovo has tried to become part of global economic development by creating favourable legal infrastructure for domestic producers in order to attract foreign investment and create favourable fiscal policies for domestic producers such as tax exemption on imported raw materials, informative technology, for manufacturing machinery, etc.

One of the key factors for improving economy in a country is the interference of the fiscal system to stimulate Foreign Direct Investments-FDI production and absorption. The fiscal system consists the axis of creation of public revenues that complement the state budget and always have to consider the balancing of revenues and expenditures in order not to endanger the fiscal stability of the country. The Government of Kosovo should guide fiscal policies depending on the public needs, the general structure of economic development, the level of employment, the degree of foreign trade development, etc. FDI in Kosovo and the countries of the region provide us with a good picture of the role of fiscal policy for absorbing foreign direct investment:
The country's government, in addition to the economic policy measures that affect the overall economic development, should take other measures, whose aim is to improve economic development. These measures are the application of public financial instruments and mechanisms. The government of the country, through the application of public finance instruments, can affect the growth of economic growth. We will summarize these public finance measures in the most important ones:

- Increasing investment by reducing the budget deficit to leverage private investment and through tax incentives,
- Encouraging investment in human capital, which means spending more resources and efforts in education and training,
- Increasing infrastructure investments, regulation of roads, warehouses, etc.,
- Providing fiscal incentives for research and development expenditures (Dornbusch and Fischer, 1999).

In countries, fiscal policy instruments should be used and adapted in accordance with the economic and business environment. Through fiscal policy is influenced the overcoming of short-term economic crises, such as the use of "anti-cyclical fiscal policy, expansionary fiscal policy, restrictive, then multiplier and accelerator" (Kadriu, 2011), etc., Kosovo must also take action to mitigate poverty and reduce these measures of the level of unemployment, which the measures have macroeconomic development effects.

Figure 1: FDI Report in Kosovo and Western Balkan Countries

Source: Policy Analysis and Research/No.5/Pristina 2017 - “Foreign Direct Investment - Kosovo and the Western Balkans”,

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Tax Policy in Kosovo

The tax can be defined as a part of the wealth of natural and legal persons who live and develop activities in a country that give the state the ability to function and protect the other property of those persons. Kosovo as the newest country in Europe, after the war period, June 1999, was governed by the United Nations-UNMIK. The fiscal system during this period was very fragile and not so functional. The UNMIK mission during 1999-2003 set the first beginnings of fiscal policy in Kosovo. This mission issued special regulations that implemented the tax policy of the time, over time the tax system has evolved from regulations that have been in place for a certain time in extraction of the laws that determined the functioning of the tax system in Kosovo, this legislation compatible and accepted by the IMF and the European Commission as transparent legislation and in line with international standards.

Referring to the legislation in force in Kosovo, these are some types of taxes collected:

- Personal Income Tax - PIT,
- Value Added Tax - VAT,
- Corporate Income Tax - CIT,
- Property tax, etc,

**Personal Income Tax** - It began to be applied from 2002 and was administered under UNMIK Regulation 2002/4, "Personal Income Tax in Kosovo" was subject only to the income of employees or salaries. This concept has changed since 01.01.2005 and is more inclusive, not limited to wages but now it is also taxed on income from business activities, rental income, gambling, dividends, interest, capital gains, and from any other income that increases the taxpayer's net wealth. From January 2009, the law no.03 / L-115 on Personal Income Tax is in force, according to which new tax rates are in force:

<table>
<thead>
<tr>
<th>Level of monthly income</th>
<th>Annual</th>
<th>Until 2008</th>
<th>From January 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly To 80 €</td>
<td>960</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>80 to 250 €</td>
<td>960 to 3000</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>250 to 450 €</td>
<td>3000 to 5400</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>Over 450 €</td>
<td>Over 5400</td>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Law no. 03/L-115 on Personal Income in Kosovo.

**Value Added Tax (VAT)** - This type of tax in Kosovo obliges each customer to pay this tax while enterprises are responsible for declaring the value added tax payment according to Law no. 03 / L-114 on VAT which came into force in 2008.

Value added tax is calculated at this rate according to the applicable rate, charged at different stages of production, distribution and lifecycle of the goods and services trade and is ultimately paid by customer.

Now with the changes that was made in Law no. 03 / L-114, the standard VAT is 18%, and it is applied to most goods but a reduced rate of 8% has also been applied to products that are most essential to the livelihood of citizens such as: water, electricity, grain, milk, books, magazines, newspapers, IT equipment, essential medicaments, medical equipment, etc.
Table 5: Value Added Tax and Tax Rates in % in Kosovo,

<table>
<thead>
<tr>
<th>Until 2008</th>
<th>Until 2009</th>
<th>From September 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>15%</td>
<td>16%</td>
<td>18% dhe 8%</td>
</tr>
</tbody>
</table>

Source: www.atk-ks.org, Tax Administration of Kosovo – TAK

Corporate Income Tax - Initially there was a tax profit according to regulation 2002/3. Tax profit was applied only to the profit of large corporations, e.g. those with annual turnover rates higher than €100,000 of which it was requested to compile the financial statements. Under the previous scheme, corporations with annual turnover of less than €100,000 did not have to prepare financial statements and they were subjected to the presumptive tax that was applied in the presumptive profit. On January 1, 2005 UNMIK issued Regulation no. 2004/51 on Corporate Income Tax where tax rates for corporate income tax were 20%. Coming into force of Corporate Income Tax, the condition for registering a company as a corporation was registering it with legal status. By Law no. 03 / L - 113 of 2009 the corporation tax rate decreases from 20% to 10% and this tax rate does not change with Law no. 03 / L - 162 on corporate income.

Table 6: The corporate income tax rate in Kosovo,

<table>
<thead>
<tr>
<th>Until 2008</th>
<th>From 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: Law no. 03/L-113, corporation tax rate

In all countries, the amount of taxation determines many priorities that affect the economic development trends, a comparison of the main tax rates of Kosovo with the Western Balkan countries gives us the orientation needed to conclude that Kosovo has a lot of favourable tax rates in relation to countries of the region:

Table 7: The main tax rates in Kosovo, comparing to Balkan countries,

<table>
<thead>
<tr>
<th>Country</th>
<th>VAT in %</th>
<th>Tax Profit in %</th>
<th>Tax PI in %</th>
<th>Tax at source in %</th>
<th>Social-health insurance in %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Dividend</td>
<td>Interest</td>
</tr>
<tr>
<td>Kosovo</td>
<td>8, 18</td>
<td>10</td>
<td>0,4,8,10</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Albania</td>
<td>6, 20</td>
<td>5, 15</td>
<td>13, 23</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>5, 18</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Montenegro</td>
<td>7, 21</td>
<td>9</td>
<td>9, 15</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>17</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Serbia</td>
<td>10, 20</td>
<td>15</td>
<td>10, 25</td>
<td>20, 25</td>
<td>20, 25</td>
</tr>
</tbody>
</table>

Source: www.altax.al, Report 2018 – Tax burden in Kosovo, Balkan countries,

Property Tax - Law no. 03 / L-204 on Immovable Property Tax in Kosovo (subsequently amended), regulates the area of property tax and defines this type of tax as a municipal tax. Revenues collected from this tax remain to the municipalities and are used by them in accordance with the Law on Public Financial Management. The Municipal Assembly of each municipality determines the property tax rate on an annual basis for each of the categories of property: industrial property, habitable property, agricultural property, commercial property, etc.
In general, the tax is determined on the real value or on the presumptive value of the immovable property or on the value of the lease, property, etc. Immovable property tax is generally imposed on property located within tax jurisdiction, regardless of the owner's residence. Municipalities should collect this tax in order to create better living conditions for their citizens, realize their development objectives, regulate infrastructure, provide better services to citizens, better health services, improving and advancing the conditions of education for pupils and students, etc.

**Import taxes as a fiscal policy instrument in Kosovo**

Kosovo is part of the category of countries that are still in transition. It has a slow economic development, rapid economic growth is not an arithmetic issue, and it does not happen by itself (Horvat, 2007). Kosovo's economy depends a lot on the fiscal measures which the state applies, fiscal sovereignty is the unlimited right and power of the state to decide on public spending (Gorcic, 2013), Kosovo customs institution, as a fiscal and trade policy instrument, plays a very important role in this dispute.

Kosovo's national economy has its human, natural, capital and technological resources (Samuelson and Nordhaus, 1992). These resources and capacities, the country's institutions try to coordinate with the country's trade policy in the function of economic development in order to increase their efficiency. The use of fiscal policy instruments are important in general and some of the special instruments in particular. One of these particular fiscal policy instruments in the country is taxes on import and their useful application for the benefit of the country's economic development. The problem for developing countries is that it is extremely difficult to accumulate factors of production, physical and human capital with low levels of income, characteristic for these countries (Dornbusch and Fischer, 1999).

The functioning of the Customs Service in Kosovo is regulated by Law 03 / L-109 - Customs and Excise Code in Kosovo followed by other bylaws that complete the functionality of this law, such as Administrative Instruction (AI) 11/2009 and other changes that are related to this AI. According to the provisions of the law in force until the end of 2018, the customs institution collects at the border:

- Custom tax,
- Value Added Tax - VAT on import,
- Excise tax on imports,

These are the import taxes which are among the main instruments of the financial policy and they are the basis for filling the Kosovo budget, all countries have approved the law on customs tariffs (Rraci, 2010).

**Table 8: Revenues realized by Kosovo Customs,**

<table>
<thead>
<tr>
<th>Revenues realized by Customs in €</th>
<th>2017</th>
<th>2018</th>
<th>The difference in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>General revenues</td>
<td>1,121,000</td>
<td>1,135,000</td>
<td>+1.24 %</td>
</tr>
<tr>
<td>Customs tax</td>
<td>129,800</td>
<td>123,700</td>
<td>-4.69%</td>
</tr>
<tr>
<td>Excise tax</td>
<td>432,200</td>
<td>420,800</td>
<td>-2.7%</td>
</tr>
<tr>
<td>VAT</td>
<td>557,700</td>
<td>585,800</td>
<td>+4.79%</td>
</tr>
<tr>
<td>Others</td>
<td>1,300</td>
<td>4,700</td>
<td>+27.9%</td>
</tr>
</tbody>
</table>

Source: www.dogana.rks-gov.net, Annual report 2018 – Kosovo Customs,
Economic relations between countries depend on the application of fiscal system instruments, namely on border custom taxes. Customs are the best observer of the national economy and its communication with the world (Bundo, 2010). Customs taxes are collected when a certain type of goods is imported in the countries. As in other countries, Kosovo has its own fiscal policy that functions within the country's fiscal system, and the customs tax as a fiscal policy instrument applied to the import of goods has several purposes:

- Fiscal purpose to provide revenue to the state (this purpose in the post-war period, since 1999, has been primary);
- Protectors, to protect the country's producers;
- Improve the balance of payments;
- Balance subsidies or other facilities accorded by foreign countries to its producers;
- As a reciprocity to a particular country (this was stated when Kosovo's governing institutions imposed a 100% tax on goods originating in the state of Serbia and Bosnia and Herzegovina that came into force on 21.11.2018) as countermeasures on economic (blockade of imports of Kosovo goods in Serbia), political (propaganda against the state of Kosovo in the international arena), cultural (obstruction of Kosovo in international cultural life), sports policies (blockade of participation of athletes in various international activities) - destructive of Serbia and Bosnia and Herzegovina to the state of Kosovo.

If analysed in a scientific aspect, the import tax collected at the border, is difficult to judge whether a tax is of a fiscal or protective nature because with the exception of specific cases, it brings at the same time: the increase of fiscal revenues; reducing the amount of imports, improving the balance of payments (Dornbusch and Fischer, 1999).

Nowadays, as called "integration" time, states (Kosovo also) through international agreements aim to regulate areas of common interest and adapt to common needs. With the harmonization of fiscal systems should be implied legislative activity of a state, which consists in the adoption of laws in the field of charges, taxes and other fiscal forms, so that the respective fiscal systems of sovereign states are equal or they respond to the same objectives that operate in their markets.

In order for the markets to function as effectively as possible, the economy and politics should be separated as much as possible from one another: that is, the markets must be free - this issue is almost impossible to
be achieved in the countries of Western Balkans, when it is known that the economic and political relations of countries such as Albania, Kosovo, Montenegro, Serbia, Macedonia, Bosnia and Herzegovina, etc. - are largely influenced by politics that stifles the economy and presents obstacles in the exchange of goods, capital, workforce, etc.

In each state, in Kosovo also, the government should ensure the basic order in society; institutions should work to facilitate the free movement of goods and facilitate economic interaction, which ultimately will guarantee more favourable prices (equilibrium) and economic sustainability (Mingst, 2008). Since the economy or economic development is the heart of the overall social development, states should overcome political and social barriers by eliminating the extreme nationalisms that have emerged for decades in which each overwhelms its responsibility and focuses on a future of better shared, while respecting some criteria, such as:

- WTO principles, commitment, cooperation with all countries of region and the world;
- Regional coordination of fiscal policies,
- Establishment of a common regional market that should be accompanied by coordination of macroeconomic policies,
- Institutional partnership, liberal trade and exchange of experiences with EU countries,
- Creating internal economic policies in favour of the business community:
  - to increase production capacity,
  - to increase production quality,
  - for export promotion,
- Elimination of quantitative barriers, administrative measures for goods import, etc.

### Conclusion and Recommendation

There is a good legal infrastructure in Kosovo that regulates the fiscal policy area and is harmonized with EU countries. From the conducted research ensues that Kosovo's economy has stagnated in relation to other Western Balkan countries and fiscal policy has not managed to balance the country's balance of trade to a satisfactory extent, despite of the good legal infrastructure. In the country's economy, there is a lack of implementation of legal provisions and the trends of foreign trade development are negative.

Economic development is the lowest in the region, this is evidenced by GDP per capita, which is the lowest of all Western Balkan countries. Kosovo's economic companies do not participate in foreign trade at the desired level and not a single production company prevails with its products in the regional and wider market; this has a negative impact on the country's economy in general, GDP in Kosovo in 2018 had a decline which means the country's economy is not moving in the right direction and DFI (Direct Foreign Investments) in Kosovo has the lowest value in relation to the Western Balkan countries. The welfare of citizens in Kosovo is not at a satisfactory level, in addition to the lack of economic development there is poor education, dysfunctional health system, informality in commerce, non-implementation of laws, nepotism in employment, etc.

Although tax policies are harmonized with EU countries, they are not delivering results for improving economic growth. Personal income tax is not collected to a large number of employees because workers are not registered to the relevant institutions and do not carry tax obligations to the state. The collection of VAT is not satisfactory; there are economic companies that do not declare the tax on VAT, when they sell they do not give fiscal coupons, etc.

In the northern part of Kosovo, about 13% of Kosovo's territory, VAT is not paid at all because there is no oversight by state institutions. Although the corporate tax rate has changed from 20% to 10% it is still not collected at the satisfactory level, although it is more regular than other taxes, Immovable property tax is stagnating in collection, this tax is under the competence of municipal assemblies which are not finding mechanisms to strengthen the implementation of binding legal provisions.
Law enforcement institutions, especially the courts, are not effective in the selection of judicial cases, Kosovo main revenue for the state budget is incurred by border taxes, where customs is the main institution, this indicates the low level of economic development. The customs tax as a fiscal policy instrument, its main purpose is fiscal aspect - to raise funds to cover state expenditures.

Although Kosovo is a signatory to international agreements, especially the CEFTA agreement, it has not used the benefits of this agreement due to the political problems caused especially by Serbia and Bosnia and Herzegovina, etc. Legal infrastructure in Kosovo, harmonized with EU countries should be implemented and not remain on paper, drastic measures should be taken in implementation of legal provisions in order to advance the economic development of the country.

Fiscal policy should be applied fairly in order to improve the foreign trade balance of the country; informality in the country's economy should be fought through punishment and educational measures. The right application of fiscal instruments should create conditions for increasing exports, to improve GDP per capita by applying fiscal policy measures fairly and equally to all economic companies, Fiscal policies need to be implemented to create conditions for the country's companies to participate in foreign trade and stay longer in that market.

To apply the right legal infrastructure fairly to attract DFI as much as possible, in general, fiscal policy needs to be oriented towards empowering education, health, welfare. Law enforcement institutions should oversee economic companies and eliminate the phenomenon of "illegal" employees. Severe punishment measures should be applied when economic companies do not benefit from education or non-declaration of VAT. The law enforcement institutions should make efforts to oversee the entire territory of the country and not to be allowed to create "a black hole" in avoiding tax obligations. Strengthen corporate tax collection oversight mechanisms.

Municipal Assemblies should apply binding instruments for collection of immovable property tax and strengthen mechanism for collecting larger taxes within the territory in order for the business not to be affected by the prior VAT inputting (to sell the goods). The customs institution, gradually along with the fiscal aim, should be oriented towards the protection of the economy and Kosovo should implement the principle of full reciprocity with all countries that have discriminatory access to the country.

References