



**PROVISIONAL INSTITUTIONS OF SELF-GOVERNMENT
INSTITUCIONET E PËRKOQSHME TË VETËQEVERISJES
PRIVREMENE INSTITUCIJE SAMOUPRAVLJANJA**

**MINISTRY OF ECONOMY AND FINANCE/TAX ADMINISTRATION OF KOSOVO
MINISTRIA PËR EKONOMI DHE FINANCA/ADMINISTRATA TATIMORE E KOSOVËS
MINISTARSTVO ZA PRIVREDU I FINANSIJE/PORESKA ADMINISTRACIJA KOSOVA**



ADMINISTRATIVE INSTRUCTION

No. 01/2005, Date .02.2005

ON

IMPLEMENTATION OF UNMIK REGULATION No. 2004/51

‘ON

CORPORATE INCOME TAX’

The Ministry of Finance and Economy hereby gives the following Administrative Instruction regarding the implementation of UNMIK Regulation No. 2004/51 “On Corporate Income Tax”:

Section 1
Definitions

‘Dividend’ is defined in section 1.(b) of the Regulation. Whether or not a distribution is a dividend shall be based only on the definition given in the Regulation without regard to whether or not the entity has earned profits during the current or previous tax periods.

‘Economic activity’ is defined in section 1.(c) of the Regulation as any type of activity entered into for the purpose of earning income, whatever the result of the activity may be. Usually, the profit making purpose or not-for-profit purpose of the activity is stated in the charter and in the establishment act of the entity. If a business organization that is established for the purpose of making profit realizes a loss, it still remains involved in economic activity. If a not-for-profit organization that is established for the purpose of public benefit realizes a profit through a business activity related to its primary beneficial activity and which again is used to serve the public benefit, for the purpose of this Administrative Instruction, it does not mean that it is involved in economic activity.

‘Regulation’ means UNMIK Regulation No. 2004/51 ‘On Corporate Income Tax’.

Section 2

Income Exempt from Tax

Section 6.(c) of the regulation exempts from corporate income tax dividends received by a resident taxpayer from another resident taxpayer that has paid corporate income tax in Kosovo. The phrase '*received by a resident taxpayer*' means that the recipient of the dividend should also be a person subject to corporate income tax or its profit tax predecessor. It does not mean taxpayers subject to personal income tax.

Income generated from BPK, KPST, KTA and Government is also exempt and thus no tax shall be withheld on interest, dividend, rental income and other income of the above mentioned bodies.

Section 6.(d) exempts from corporate income tax income of non-local contractors generated from contracts with UN, UNMIK, specialized agencies of UN and IAEA. The expression '*other than a local contractor*' means contractors established outside Kosovo who are not required to register a permanent establishment in Kosovo. If a non-local contractor performs other activities in Kosovo, other than those in relation with UN, UNMIK, UN agencies and IAEA, it should register a permanent establishment in Kosovo and income generated by this permanent establishment is inclusive in the gross income of the taxpayer.

Section 3

Allowable Expenses

In accordance with Section 7 of the Regulation, the taxpayer is allowed to deduct from gross income, expenses paid or incurred during the tax period in the course of economic activities. To be allowed as a deduction, all expenses must be fully documented and supporting documentation such as contracts, invoices, customs declarations, receipts, payment documents, bank documents, payroll records, tickets, bills, transfer orders and other relevant documents must be available for inspection upon request from Tax Administration.

Section 4

Disallowed Expenses

Section 8 of the Regulation deals with disallowed expenses. The following expenses are disallowed as an expense:

- a. *Cost of acquisition and improvement of land.* As a principle, land does not lose its value in time and it is not subject to wear. Land is easily convertible into cash. '*Improvement*' means work that increases the value of the land and it includes drainage works, terracing, pipelining and water supply and other similar works which become part of the land and which increase the total value of the land.
- b. *Cost of acquisition of depreciable and amortizable assets.* Such costs are recovered over time through depreciation and amortization allowances.

- c. *Fines and penalties.* Such expenses occur when taxpayers violate tax or other applicable rules and requirements. They are to be covered by the profit after tax.
- d. *Income taxes.* Gross wages, including personal income tax withheld from employees, constitutes an expense; thus, it is deductible. Corporate Income Tax is not a deductible item as it is computed after the deduction of all allowed expenses.
- e. *Input VAT* is not a deductible item if it is rebated or credited from output VAT. In one particular case it is a deductible item and this is when a corporate income taxpayer has not reached the VAT registration threshold and thus is not entitled to charge VAT on domestic supplies.

Section 5
Charitable Contributions

In Section 9.1 of the Regulation, the expression ‘*computed before the expenditures are deducted*’ means that the 5% allowed limit will be applied on the gross profit before such an expense is deducted from adjusted gross income. I.e., if a company has a gross profit before charitable contributions of 10,000 euro and it has made a donation to an hospital of 400 euro, the 5% allowed limit shall be applied on the 10,000 euro and not on 10,000-400=9,600 euro. In this case 400 euro is totally deductible as it is within the allowed limit of 10,000 x 5%=500 euro.

The format of the receipt required to be filed under Section 9.4 of the Regulation together with Financial Statements and Corporate Income Tax Declaration to TAK is given here below:

Receipt of Charitable Contribution

1.Name of the donor	[1]
2.ID Number of the donor	[2]
3.Address of the donor	[3]
4.Contact person’s name and telephone	[4]
5.Name of the recipient	[5]
6.ID Number of the recipient	[6]
7.Address of the recipient	[7]
8.Contact person’s name and telephone	[8]
9.Amount of charitable contribution donated	[9]
10. Date of donation	[10]

I hereby declare that data above stated is true and accurate. The recipient does not have any direct or indirect conflict of interest with the donor.

Name and signature of the designated person
(_____)

dd/mm/yyyy
//____

Section 6 Representation Costs

The expression '*total gross income*' in Section 10 of the Regulation means all income that arose during the tax period from sources within Kosovo and it includes income from business activity, income from the use of movable, immovable or intangible property, income from interest, income from dividends, gain from the sale of securities or immovable property and any other income not covered specifically above.

Section 7 Payments to Related Persons

Section 13 of the Regulation provides that compensation, emoluments, interest, rent and other expenses paid to related persons shall be allowed as a deduction in an amount equal to the lesser of the amount paid and the respective market value. I.e., the son of the owner of a company is employed by the company as a driver and is paid 2,000 euro/month. Market value for driving services is 400 euro. This is the amount that shall be allowed as a deduction as the driver and the company are related persons. I.e., company A and B are owned by the same individual and A rents a warehouse to B for 1,000 euro/month. Market value for such a rental service is 1,800 euro. Only 1,000 euro shall be allowed as a deductible expense as A and B are related persons.

Section 8 Depreciation

The expression in section 14.1 of the Regulation '*owned by the taxpayer*' means that only the owner of the tangible property, who bears the risk of wear, tear or obsolescence of the asset, is entitled to deduct depreciation charges. No depreciation deduction will be allowed for the lessee of the assets unless it is stipulated in the lease agreement that a financial lease is involved and ownership rights pass over to the lessee from the lessor through periodic payments.

Under Section 14.2 of the Regulation, expenditures on leasehold improvements will be recovered through depreciation deductions using the straight line method based on the life of the leasehold. In the case of open ended leaseholds or when the life of the leasehold is extended frequently, the lessee shall, at the best of his judgment, and based on accounting rules and best practices, define the leasehold duration and use that as denominator for computing the annual depreciation charge of the improvement.

Section 14.5 of the Regulation provides for depreciation using the 'Reducing Balance Method'. Examples of this method are:

Category 1, Segregated Capital Account: (5% of the value of each asset at the end of the tax period)

Suppose that company X at the beginning of the tax period 2005 possesses a building of 1,000,000 euro, which belongs to Category 1 of depreciable assets. The reducing balance method works as follows:

Tax Period	Opening Balance	Additions	Depreciation	Closing Balance
2005	1,000,000 euro	-	50,000	950,000
2006	950,000 “	-	47,500	902,500
2007	902,500 “	-	45,125	857,375
.....				
.....				
.....				

Category 2 Pooled Assets (20% of the value of the pool at the end of the tax period)

Suppose that company X at the beginning of tax period 2005 possesses the following assets belonging to Category 2: 10 computers- 1,000 euro each; 2 photocopiers-4,000 euro each; 2 automobiles- 10,000 euro each. In the tax period 2005 company buys another computer of 2,000 euro. In the tax period 2006 company sells one automobile for 8,000 euro. The reducing balance method works as follows:

Tax Period	Opening Balance	Additions	Reductions	Depreciation	Closing Balance
2005	38,000	2,000	-	8,000	32,000
2006	32,000	-	8,000	4,800	19,200
2007	19,200	-	-	3,840	15,360
...					
...					
...					

Section 14.6 of the Regulation provides that assets shall first be taken into account for depreciation purposes only when they are placed into service. No depreciation deduction will be allowed if an asset is not placed into service and if it does not serve the purpose of economic activity.

Section 9 Special Allowance for New Assets

Section 15.1 of the Regulation provides that new assets belonging to Category 3, purchased new locally or imported for the first time in Kosovo between January 1, 2005 and December 31, 2008, benefit a special allowance of 10% in addition to the normal allowable depreciation deduction of the pool. I.e., suppose that company X has an opening balance of Category 3 for the tax period 2005 of 160,000 euro. During the year company imports from Germany a new heavy transport vehicle of 40,000 euro. Depreciation deduction for this tax period will have two components: 1. Normal depreciation of the pool: $200,000 \times 15\% = 30,000$ euro; 2. Special Allowance for the New Asset: $40,000 \times 10\% = 4,000$ euro. Total depreciation deduction $30,000 + 4,000 = 34,000$ euro. Special Allowance for New Assets is granted only once, in the tax period in which the asset is purchased in or brought into Kosovo

Section 10
Repairs and Improvements

Section 16 of the Regulation deals with repairs and improvements. The term '*repairs and improvements*' means work that is done to substantially increase the capacity, life, conditions and productivity of the asset. In the case of a building, roofing, plumbing, plastering and other similar work are considered repairs and improvements, but painting is not. In the case of a truck, changing tires is not an improvement but, replacing the existing engine with a new one, is a repair and improvement. The 5% threshold for capitalizing or immediately deducting costs of improvements and repairs applies as follows: Suppose that the opening balance of a building is 100,000 euro. During the tax period taxpayer repairs the roof for a value equal to 5,500 euro. The 5,000 euro which is within the allowed limit shall be claimed as an expense and the excess of 500 euro shall be added to the segregated capital account and it shall be depreciated together with the building.

Section 11
Exploration and Development Costs

Section 18 of the Regulation provides for the amortization of a natural deposit of minerals and other natural resources. The user of the deposit can claim a deduction for the exploration and development costs. Exploration costs, development costs and related interest must be added to a capital account as they incur. At the end of the tax period, the portion of exploration and development costs pertaining to that period shall be determined by multiplying the balance in the capital account by a coefficient of amortization (CA) which is:

$$CA = \frac{\text{Number of units extracted during the year}}{\text{Total estimated units in the deposit}}$$

Example: Company X has taken on a lease on a copper field and the estimated number of units in the natural deposit is 15,000,000. The production for the year is 1,500,000 units. The balance in the capital account at the end of the tax period is € 500,000. To determine the amount of amortization allowed for the tax period, the balance in the account must be multiplied by the CA. In this case, the coefficient is 10%, (1,500,000/15,000,000). The amortization allowed as a deduction, therefore is €50,000.

To determine the total estimated number of units in the deposit, the taxpayer must obtain a report from experts and must make it available to Tax Administration for inspection upon request or as part of the tax return. The computation of the units of extraction must be done using generally accepted methods. Tax Administration reserves the right to use the services of independent specialists to review the engineering reports and the extraction computation methods.

Section 12
Withholding Tax on Dividends, Interest, Royalties, and Rent

The format of the Statement of Tax Withholding and Remittance for Dividend, Interest, Royalty, Rent and Lottery Winnings is as follows:



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**INTEREST, DIVIDEND, ROYALTY, RENT AND LOTTERY
WINNINGS TAX WITHHOLDING AND REMITTANCE
STATEMENT**

[1] Filing Period [1] [2] Serial Number: [2]

[3] Withholder Registration Number: [3]

[4] Withholder Name [4]

[5] Withholder's address [5]
(only if it is different from the last form)

[6] Contact Person's Name [6] Telephone [6]

[6] Contact Person's Name [6] Telephone [6]

[7] Put 'X' on the appropriate box if not filing for the first time for this filing period.

Addition Correction Payment Only

a. Tax Withheld on Interest, Dividend, Royalties and Lottery Earnings	Payment	Tax Withheld
[8] Gross interest paid for the month	[8]	
[9] Gross dividends paid for the month	[9]	
[10] Gross royalties paid for the month (non-individuals only)	[10]	
[11] Gross lottery winnings paid for the month (individuals only)	[11]	
[12] Total gross amount paid for the month [12]=8+9+10+11	[12]	
[13] Tax withheld on income other than rent [13]=[12] x 20%		[13]

b. Tax Withheld on Rents

[14] Gross rent paid for the month	[14]	
[15] Tax withheld on rents paid [15]= [14] x 16%- (non individual tenants only)		[15]

[16] Total tax withheld [16]=[15]+[13] [16]

I declare that facts reported in this statement are true.

First Name/Last Name/Signature and Stamp

dd/mm/yy

(_____)

Signature and Stamp	Account Number: 1000420070000373.	[48]Amount of Tax paid
Date ____/____/____		€

The format of the Withholding Certificate Form to be issued from withholding agents under Section 27.3 of the Regulation to the recipients of dividends, interest, royalties and rent is given here below:

Certificate of Tax Withholding on Dividends, Interest, Royalties and Rents

[1]Name of the payer

[2]Payer's Registration Number

[3]Address of the payer [4]Tel:

[5]Owner's/director's name [6]Tel:

This Certificate of Tax Withholding on Dividends, Interest, Royalties and Rents is issued to the following recipient:

[7]Name of the recipient

[8]UNMIK-PN/Individual Taxpayer Number

[9]Address of the recipient [10]Tel:

Tax Period	Gross Interest	Gross Dividend	Gross Royalties (non-individuals)	Lottery Winnings (individuals only)	Total payments	Tax Withheld on all payments	Gross Rent	Tax Withheld on rent (non-individual tenants)
1	2	3	4	5	6=2+3+4+5	7=6x20%	8	9=8 x 16%

I declare that, to the best of my knowledge, data shown in this Withholding Tax Certificate is true.

Name, Signature and Stamp of the Payer/Designated Person dd/mm/yy
 (_____) ____/____/____

The exempt bodies specified in section 6 of the regulation shall provide written evidence to the withholders to prove that their income is exempt and thus not subject to any withholdings.

Section 13
Commercial Income of NGO-s

Section 29 of the Regulation deals with commercial income of registered NGO-s. The expression 'commercial or other activity that is not exclusively related to its public purpose' shall have the

following meaning: In the case of a church that sells candles and uses the proceeds from the sale for the improvement of the premises to better serve the community, such a commercial activity shall be deemed to be exclusively related to the public benefit purpose. In the case of an NGO operating in the promotion of agricultural activities, the sale of seeds and seedlings shall be deemed to be exclusively related to its primary beneficial activity provided that NGO uses the proceeds of the sale within the scope of the public benefit purpose. In the case of an NGO operating in the health area which runs a retail kiosk, such commercial activity shall not be deemed as exclusively related to its primary public benefit purpose.

Section 14 Tax Declarations

In accordance with Section 30 of the Regulation a corporate income tax declaration shall be submitted at any authorized bank on or before the 1st of April of the year following the tax period. The tax declaration is prepared in three authentic copies. The first and the second copies remain with the bank while the third one is returned to the taxpayer after it is stamped by the bank. The tax declaration shall be considered as an assessment made by taxpayers themselves. The format of the tax declaration is given below:



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CORPORATE INCOME TAX DECLARATION

[1] Tax Period (YYYY)

[2] Serial No.: PT

[3] Business Registration
 Number

--	--	--	--	--	--	--	--

[4] Taxpayer Name

--

[5] Taxpayer's Address
 (If different from last form)

--

[6] Owner

	Tel	
	:	

[7] Manager

	Tel	
	:	

[8]
 Accountant/Bookkeeper

	Tel	
	:	

[9] If the tax declaration is to amend a declaration filed previously for the same tax period, put an 'X' in the box that describes the type of amendment. *(Please refer to the guide)*

Addition

Correction

Payment Only

Signature and Stamp	Account Number: 1000420070000373.	[48]Amount of Tax paid
Date ____/____/____		€

[10] Net profit (loss) per financial statements [10]

Adjustments to Income

[11] Foreign source of income (schedule A)	[11]
[12] Recovery of bad debts (schedule B)	[12]
[13] Capital gain (schedule C)	[13]
[14] Dividends (schedule D)	[14]
[15] Other income/gain (schedule E)	[15]
[16] Total adjustment to income (add lines 11 to 15)	[16]
[17] Profit (loss) after adjustment to income (line 10 + line 16)	[17]

Adjustments to Expenses

[18] Disallowed expenses (schedule F)	[18]
[19] Representation costs (schedule G)	[19]
[20] Reserve funds (schedule H)	[20]
[21] Payments to related persons (schedule I)	[21]
[22] Depreciation (schedule J)	[22]
[23] Amortization (schedule K)	[23]
[24] Special allowance for new assets (schedule L)	[24]
[25] Capital loss (schedule C)	[25]
[26] Other expenses (schedule M)	[26]
[27] Total adjustment to expenses (add lines 18 to 26)	[27]
[28] Profit (business loss) after adjustment to expenses (line 17 - line 27)	[28]
[29] Charitable contributions (attach receipts)	[29]
[30] Loss carry forward (refer to guide)	[30]
[31] Add lines 29 and 30	[31]
[32] Adjusted profit before rate adjustment (line 28 - line 31)	[32]
[33] Rate adjustment (NGO-s only)	[33]
[34] Net profit (loss) (line 32 x line 33)	[34]

Refund or Amount Due

[35] Corporate income tax (If line 34 is a profit, multiply by 20%. If line 34 is a loss, enter 0).	[35]
[36] Foreign states tax credit (schedule O)	[36]
[37] Tax withheld on dividends, interest, royalties and rent by resident payers (schedule P) –attach certificates	[37]
[38] Installments paid (Schedule Q)	[38]
[39] Total credits (add lines 36, 37 and 38)	[39]
[40] Line 35 less line 39	[40]

If the result on line 40 is (+) you have an **Amount Due**. If the result on line 40 is (-) you have a **refund**. Write the amount in the appropriate box.

[41] **Amount Due** [41]

[42] **Refund** [42]

[43] Bank Name	
[44] Account Holder	
[45] Account Number	

I declare that the facts reported in this tax declaration are true.

Name and signature of designated person

(_____)

dd.mm.yyyy

__ . __ . __

Section 15
Tax Payments

- 15.1 In accordance with Section 31.2 (a) and (b) of the Regulation taxpayers with annual gross income of less than 50,000 euro and those who do not opt to prepare financial statements shall submit a Quarterly Advance Payment Statement at any authorized bank on or before 15 April, 15 July, 15 October and 15 January with respect to the calendar quarters immediately preceding these dates. The Quarterly Advance Statement is prepared in three authentic copies. The first and the second copies remain with the bank while the third one is returned to the taxpayer after it is stamped by the bank. The format of the Quarterly Advance Payment Statement is given here below:



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**QUARTERLY ADVANCE PAYMENT STATEMENT
FOR SMALL CORPORATIONS**

[1] Filing Period: [1] [2] Serial Number: [2]AP

[3] Business Registration Number [3]

[4] Business Name [4]

[5] Business Address [5]
(only if different from last form)

[6] Contact Person's Name [6] Telephone [6]

[7] Put 'X' on the appropriate box if not filing for the first time for this filing period.

Addition Correction Payment Only

[8] Gross Income for the quarter [8]
(This entry is in common for all categories of business income earners)

I. Taxpayers with annual gross income less than 5,000 euro

[9] Enter 37,5 euro in box [9]

II. Taxpayers with gross income from 5,000.01-50,000 euro who pay tax 'presumptively'. (If opting to pay on 'net income' complete the Quarterly Advance Statement for Large Businesses)

II.i [10] Advance Payment [10]=[8] x 3%

(retail, manufacturing, trade, transport, agriculture and other commercial activities)

II.ii [11] Advance Payment [11]= [8] x 5%

(professional, vocational, entertainment, other service activities)

III. Taxpayers who earn Rental Income

[12] Gross Rental Income [12]

[13] Tax on Rental Income [13]=[12] x 16%

[14] Tax on Rental Income Withheld by Others [14]

[15] Final Tax on Rental Income [15]=[13]-[14]

[16] Total Tax to be Paid with this Statement [16]=[9]+[15] or [10] and/or [11] +[15]
I declare that facts reported in this Statement are true and accurate.

First Name/Last Name/Signature and Stamp () dd/mm/yy

Signature and Stamp Date ____/____/____	Account Number: 1000420070000373.	[17]Amount of Tax paid €
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15.2 In accordance with Section 31.2.(c) of the Regulation, taxpayers with annual gross income of 50,000 euro or more and those who opt to prepare financial statements are required to submit a quarterly advance payment statement at any authorized bank on or before 15 April, 15 July, 15 October and 15 January with respect to the calendar quarters immediately preceding these dates. The Quarterly Advance Statement is prepared in three authentic copies. The first and the second copies remain with the bank while the third one is returned to the taxpayer after it is stamped by the bank. The format of the Quarterly Advance Payment Statement is given here below:



QUARTERLY ADVANCE PAYMENT STATEMENT FOR LARGE CORPORATIONS

[1] Filing Period(Q/YYYY)

Serial Number[2]

[3] Business Registration Number		
[4] Business Name		
[5] Address (only if different from last form)		
[6] Owner's name		

[7] Put 'X' on the appropriate box if not filing for the first time for this filing period.

Addition
 Correction
 Payment only

	Item	Tax
• Option A, based on the estimation of current year tax liability		
[8] Estimated Income for the Tax Period divided by 4.....	[8]	
[9] Estimated Expenses for the Tax Period divided by 4.....	[9]	
[10] Estimated Profit for the Tax Period divided by 4, [10]=[8]-[9].....	[10]	
(If negative enter 0)		
[11] Installment for the Quarter [10] x 20%.....		[11]
(If negative enter 0)		
• Option B, based on past year tax liability		
[12] 110% of assessed tax liability for the previous year divided by 4.....	[12]	
[13] Installment Payment to be paid with this form.....		[13]
(Enter either amount from [11] or [12])		
[14] Tax Withheld on Dividends, Royalties, Interest and Rent by resident payers ...		[14]
[15] Total payment with this form [15]=[13]- [14].....		[15]
(The following section is to be completed by Insurance Companies only)		
[16] Gross premiums for the quarter	[16]	
[17] Installment for the quarter [16] x 7%.....		[17]
[18] Tax Withheld on Dividends, Royalties, Interest and Rent by resident payers ...		[18]
[19] Total payment with this form [19]=[17]- [18].....		[19]

I declare that the above data are true.

(_____)

dd/mm/yy

____/____/____

Signature and Stamp Date ____/____/____	Account Number: 1000420070000373.	[20] Amount of Tax paid <div style="text-align: right; font-size: 2em;">€</div>
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- 15.3 Taxpayers that choose to pay advance payments based on their estimation and whose advance payments are insufficient compared with final tax liability will be only penalized in respect of their last quarter of the first year. For the second and other subsequent years as the option of paying with no penalties and interest is available they will be penalized per each quarterly installment if insufficient payments are made during the year.
- 15.4 In cases where early installments were too low and later installments were too high, penalties shall apply for earlier installments until later excess payments cover the earlier shortfalls. In cases where early installments were too high and later installments were too low, TAK shall recognize excesses in earlier periods covering shortfalls in later periods and penalties might or might not apply depending on the amounts of excesses and shortfalls.
- 15.5 Where only the last quarterly installment period was to be penalized under 15.3 above, then Tax Administration could consider and penalize based on the cumulative installment amounts compared with annual liability, rather than simply considering the last installment in isolation.
- 15.6 Section 31.2.c.ii of the Regulation refers to payments based on past year tax liability. Where a taxpayer has a tax loss for a particular year, then using the past year tax liability basis and applying a 110% calculation would mean that no installments would be necessary in the following year and where installments should have been paid, no under-estimation penalty would apply because of use of this option.
- 15.7 Taxpayers in their first year are required to use the estimate basis and the estimates are based on $\frac{1}{4}$ of estimated annual tax liability for the first year. For those who commence as taxpayers during the first quarter this is not an issue, but for those who commence later in the year, they are only required to pay $\frac{3}{4}$, $\frac{1}{2}$ or even only $\frac{1}{4}$ of their first year liability in installments during the first year. For the second year, by paying on the basis of the first part-year would mean no under-estimation penalty is payable.
- 15.8 In cases where there has been an audit in a subsequent year that determines a different annual tax liability in respect of an earlier tax year, if the annual tax liability is found to be higher, penalties would apply for under-declaration, for late payment and also interest in respect of the underpaid annual liability. Such penalties and interest for subsequently discovered additional tax liability shall be applied to the annual tax liability only, and no adjustment will be made to past quarterly installment amounts.
- 15.9 The annual corporate income tax form is a tax declaration but the advance payment statements are not deemed to be tax declarations. Late filing penalty shall not apply to late filed quarterly installment forms, but late payment penalties and interest shall apply.

Section 16

Books and Records

Taxpayers with annual gross income of 50,000 euro or more and those with annual gross income of 5,000-50,000 euro who opt to be taxed on real profit shall keep the following books and records: A sales book, a purchase book, an expense book and a capital account book where all the items of income and expense are recorded. Taxpayers with annual gross income of 5,000-50,000 euro shall keep a sales book and a purchase book. Taxpayers with annual gross income of 5,000 euro or less shall keep a daily cash book. The three categories of taxpayers specified above are required to issue invoices/receipts for the supply of goods and services made by them.

Section 17

Application to be registered

Tax Administration shall use its records created for the administration of the Presumptive Tax and Profit Tax to administer the new Corporate Income Tax. Based on these records each existing incorporated business will be assigned to one tax regime, either presumptive or real one. The burden of proving that a Tax Administration decision in assigning a taxpayer in one of the categories mentioned in section 16 is wrong falls on taxpayer. Taxpayers with annual gross income between 5,000 and 50,000 euro may opt to be taxed under the real income taxation scheme instead of presumptive taxation scheme. These taxpayers may do that by completing an application form and delivering it to Tax Administration. The format of application form is given here below:



PROVISIONAL INSTITUTIONS OF SELF-GOVERNMENT
INSTITUCIONET E PËRKOHSHME TË VETËQEVERISJES
PRIVREMENE INSTITUCIJE SAMOUPRAVLJANJA

MINISTRY OF ECONOMY AND FINANCE/TAX ADMINISTRATION OF KOSOVO
MINISTRIA PËR EKONOMI DHE FINANCA/ADMINISTRATA TATIMORE E KOSOVËS
MINISTARSTVO ZA PRIVREDU I FINANSIJE/PORESKA ADMINISTRACIJA KOSOVA



**APPLICATION REGISTRATION FORM FOR SMALL CORPORATIONS THAT OPT
TO BE TAXED UNDER THE REAL INCOME TAXATION SCHEME**

[1] Name of the taxpayer	
[2] Business Registration Number	
[3] Address of the taxpayer	
[4] Telephone number of the taxpayer	
[5] Gross income for the previous tax period	
[6] Estimated gross income for the current tax period	

I hereby opt to register my corporation under real income taxation scheme. I understand that by doing so I am required to keep proper books and records and file an annual tax declaration for each coming tax period and that my corporation is not allowed to exit from this regime and rejoin the presumptive taxation scheme.

Designated Person First Name, Last Name and Signature
(_____)

dd/mm/yyyy

___/___/___

Section 18

Partners of Partnerships

Incorporated partners of partnerships who receive profit shares from partnerships should consolidate such an income and be liable for Corporate Income Tax. The Partnership itself will keep books and records, will register for VAT, if this is the case, and will file VAT return and pay VAT liability by using the Business Registration Number issued by the business registry. The partnership is also required to withhold tax on wages of the employees and jointly contribute to the pension fund. For corporate income tax purposes partnership will have to file an annual reconciliation statement but make no payment of tax liability. The partners will have to file the

quarterly income statements and make quarterly advance payments in respect of their contribution in the partnership and also file the reconciliation declaration for the tax period and pay any tax due or claim any refund for tax paid in excess.

Section 19

Entry into force

This Administrative Instruction enters into force on the same day as UNMIK Regulation No. 2004/51 'On Corporate Income Tax'.

Haki Shatri 
Minister of Finance & Economy