ON CORPORATE INCOME TAX

Assembly of Republic of Kosovo,

According to paragraph (1) of Article 65 of Constitution of the Republic of Kosovo,

Adopts:

LAW ON CORPORATE INCOME TAX

CHAPTER I

GENERAL PROVISIONS

Article 1
Definitions

For the purposes of this Law terms used below have the following meaning:

“Capital assets” means tangible property with a service life of one year or more;

“Dividend” means a distribution by a company to a shareholder:

- of cash or stock with respect to the shareholder’s equity interest in the company; and
- of property other than cash or stock, unless the distribution is made as a result of liquidation;

“Economic activity” means an activity entered into for the purpose of earning income;
“Financial statements” means the general purpose financial statements prepared in accordance with UNMIK Regulation No. 2001/30 of 29 October 2001 on the Establishment of the Kosovo Board on Standards for Financial Reporting and a Regime for Financial Reporting of Business Organizations;

“Foreign source income” means gross income that is not Kosovo source income;

“Gross income” means all income received or accrued, including but not limited to, income from production, trade, financial, investment, professional or other economic activities;

“Intangible property” means patents, copyrights, licenses, franchises, and other property that consists of rights only, but has no physical form;

“Real Estate” means all land and buildings and all units within buildings such as apartments or areas for commercial purposes and

“Immovable property” means all real estate and establishments and structures below or above the land surface and connected to the land.

“Involuntary conversion” means property, in whole or in part, that is destroyed, stolen, seized, or condemned, or the taxpayer is otherwise forced to dispose of by reason of threat or imminence of any of the foregoing;

“Kosovo source income” means gross income that arises in Kosovo, which includes;

- income from business activity where such activity is located in Kosovo;

- income from the use of movable or immovable property located in Kosovo;

- income from the use of intangible property in Kosovo;

- interest on a debt obligation paid by a resident or a public authority;

- dividends paid by a resident business organization;

- gain from the sale of immovable property located in Kosovo; and

- other income not covered by the above-mentioned subparagraphs arising from economic activity in Kosovo.

“Market value” means the price at which similar goods or services of like quality and quantity would be sold in an arm’s-length transaction;

“Non-resident” means any person or group of persons that is not resident in Kosovo;
1A.1 “Permanent establishment” means a fixed place of business through which the business of a non-resident person is wholly or partly carried on in Kosovo.

1A.2 “Permanent establishment” shall include:

(a) any place of management;

(b) any branch;

(c) any office;

(d) any factory;

(e) any workshop;

(f) any mine; and

(g) any oil or gas source, quarry or other place of exploitation of natural resources.

1A.3 “Permanent establishment” shall also include:

(a) any building site, construction, assembly or installation project or supervisory activity in connection therewith, but only if such site, project or activity lasts longer than one hundred eighty three (183) days. Where the site, project or activity lasts longer than one hundred eighty three (183) days, including any preparatory activity, the site project or activity shall be deemed to have been or created a permanent establishment from the day such work commenced;

(b) the furnishing of any service, including any consultancy service but excluding any supervisory activity referred to in article 1A.3 (a), carried out in Kosovo by a non-resident person through employees or other personnel, but only if such activities continue within Kosovo for a period or periods of totaling ninety (90) days or more within any twelve-month (12) period. Where the activities do continue within Kosovo for a period or periods totaling ninety (90) days or more within any twelve-month (12) period, the activities shall be deemed to have created a permanent establishment from the day such activities commenced;

(c) any site used for the research for natural resources within Kosovo, where such activities within Kosovo continue for a period or periods totaling one hundred eighty three (183) days or more within any twelve-month (12) period. Where the activities do continue for a period or periods totaling one hundred eighty three (183) days or more within any twelve-month (12) period, the activities shall be deemed to have created a permanent establishment from the day such activities commenced; and

(d) any immovable property situated in Kosovo and owned by a non-resident person.
1A.4 Notwithstanding subsections 1A.1 and 1A.2 of this section, where a person other than an agent of an independent status to whom section 1A.7 applies, acts in Kosovo on behalf of a non-resident person shall be deemed to have a permanent establishment in Kosovo in respect of the activities which that person undertakes for the non-resident person, if such a person:

(a) has and habitually exercises in Kosovo an authority to conclude contracts in the name of the non-resident person, unless the activities of such person are limited to those mentioned in section 1A.6 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that subsection; or

(b) has no such authority but habitually maintains in Kosovo a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the taxpayer.

1A.5 A non-resident person who provides insurance shall, except in regard to re-insurance, be deemed to have a permanent establishment in Kosovo if it collects premiums in Kosovo or insures risks situated in Kosovo through a person other than an agent of an independent status to whom Section 1A.7 applies.

1A.6 Notwithstanding subsections 1A.1, 1A.2 and 1A.3 of this section “permanent establishment” shall be deemed not to include:

(a) the use of facilities solely for the purpose of storage or display of goods or merchandise belonging to non-resident person;

(b) the maintenance of a stock of goods or merchandise belonging to the non-resident person solely for the purpose of storage or display;

(c) the maintenance of a stock of goods or merchandise belonging to the non-resident person solely for the purpose of processing by another taxpayer;

(d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information for the non-resident person;

(e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the non-resident person, any other activity of a preparatory or auxiliary character; and

(f) the maintenance of a fixed place of business solely for any combination of activities mentioned in paragraphs (a) to (e) of this subsection, provided that the overall activity of the fixed place of business resulting from this combination is only of a preparatory or auxiliary character.

1A.7 A non-resident person shall not be deemed to have a permanent establishment in Kosovo merely because it carries on business in Kosovo through a broker, general commission agent or any other agent of an independent status, provided that such person are acting in the ordinary course of their business. However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that taxpayer, and the conditions are made or imposed between that
taxpayer and the agent in their commercial and financial relations which differ from those which would have been made between independent taxpayers, he will not be considered an agent of an independent status within the meaning of this subsection.

1A.8 The fact that a non-resident person controls or is controlled by a company which is a resident of Kosovo, or which carries on business in Kosovo (whether through a permanent establishment or otherwise), shall not of itself deem either company a permanent establishment of the other.

“Person” means a natural person or a legal person;

“Public authority” means a central, regional, municipal, or local authority, public body, ministry, department, or other authority that exercises public executive, legislative, regulatory, administrative or judicial power;

“Related person” means persons that have a special relationship that may materially influence the economic results of transactions between them. Special relationship shall mean:

- the persons are officers or directors of one another’s business;
- the persons are partners in business;
- the persons are in an employer-employee relationship;
- one person holds or controls fifty percent (50%) or more of the shares or voting rights in the other person’s company;
- one person directly or indirectly controls the other person;
- both persons are directly or indirectly controlled by a third person; or
- the persons are husband or wife, or relatives to the third degree inclusive, or in law to the second degree inclusive;

“Representation costs” means all costs related to promotion of the business or its products and includes costs for publicity, advertising, entertainment and representation;

“Resident” means a person or group of persons that is established in Kosovo or that has its place of effective management in Kosovo; and

“Tax period” means the calendar year;
Article 2
Taxpayers

1. The following persons shall be taxpayers under this Law:

1.1. a corporation or other business organization that has the status of a legal person under the law applicable in Kosovo;
1.2. a business organization operating with public or socially owned assets;
1.3. an organization registered as a non-governmental organization under legislation on the Registration and Operation of Non-Governmental Organizations in Kosovo; and
1.4. a non-resident person with a permanent establishment in Kosovo, subject to provision of paragraph 2 of Article 3 of this law;

Article 3
Object of Taxation

1. The object of taxation for a resident taxpayer shall be taxable income from Kosovo source income and foreign source income.

2. The object of taxation for a non-resident taxpayer shall be taxable income from Kosovo source income.

Article 4
Taxable Income

1. A taxpayer with annual gross income of five thousand and one (50,001) euro or greater shall calculate taxable income by preparing financial statements and adjusting income and expenses recorded in such statements in the manner prescribed in this Law.

2. A taxpayer with annual gross income of five thousand (50,000) euro or less shall calculate taxable income:

2.1. in accordance with sub-article 2.1 and 2.2 of paragraph 2 of Article 31 of this law; or

2.2. by preparing financial statements and adjusting income and expenses recorded in such statements in the manner prescribed in this Law

3. Taxpayers who opt to calculate taxable income and prepare financial statements pursuant to sub-paragraph 2.2. of paragraph 2 of this law in any tax period shall be required to calculate taxable income and prepare financial statements in that manner for each subsequent tax period.
4. As an exception to the sub paragraphs above, taxpayers whose principal activity is the insurance or reinsurance of life, property, or other risks shall calculate taxable income and pay income tax in accordance with Article 28 of this law.

**Article 5**
**Tax Rate**

For the tax period 2009 and subsequent tax periods, the corporate income tax rate shall be ten percent (10%) of taxable income.

**CHAPTER II**
**INCOME EXEMPT FROM TAX**

**Article 6**
**Exempt Income**

1. The following income shall be exempt from corporate income tax:

   1.1. without prejudice to section 29 of this law, the income of organizations registered under legislation on the Registration and Operation of Non-Governmental Organizations that have received and maintained public benefit status to the extent that the income is used exclusively for their public benefit purposes;

   1.2. income of the Central Bank of Kosovo, and of entitled and duly authorized international inter-governmental financial institutions operating in Kosovo;

   1.3. Dividends received by a resident taxpayer from a resident company that paid Kosovo corporate income tax; and

   1.4. Income from a contractor, other than a local contractor, generated from contracts for the supply of goods and services to the United Nations (including UNMIK), the Specialized Agencies of the United Nations and the International Atomic Energy Agency.
CHAPTER III
EXPENDITURES

Article 7
Allowable Expenses

1. Subject to the limitations in this Law, in determining taxable income, a taxpayer shall be allowed as a deduction from gross income expenses paid or incurred during the tax period wholly and exclusively in connection with its economic activities.

2. No deduction shall be allowed for any expense unless it is documented in the manner required by an Administrative Instruction to be issued by the Ministry of Finance and Economy.

Article 8
Disallowed Expenses

1. In determining taxable income, the following are disallowed as expenses;

1.1. cost of acquisition and improvement of land;

1.2. cost of acquisition, improvement, renewal and reconstruction of assets that are depreciated or amortized under the provisions of this Law;

1.3. fines and penalties;

1.4. income tax; and

1.5. value added tax for which the taxpayer claims a rebate or credit for input tax under legislation on Value Added Tax in Kosovo.

Article 9
Allowable Deductions

1. Contributions made for humanitarian, health, education, religious, scientific, cultural, environmental protection and sports purposes are allowed as a deduction under this Law up to a maximum of five percent (5%) of taxable income computed before the expenditures are deducted.

2. An allowable contribution under paragraph 1 of this Article must be made to:
2.1. an organization registered under legislation on registration and function as a non-governmental organization that has received and maintained public benefit status;

2.2. any other non-commercial organizations that directly perform activities in the public interest and not for profit, such as:

2.2.1. medical institutions;
2.2.2. educational institutions;
2.2.3. organizations to protect the environment;
2.2.4. religious institutions;
2.2.5. institutions that care for disabled or elderly persons;
2.2.6. orphanages; and
2.2.7. institutions that promote science, culture, sports or arts.

3. An allowable deduction shall not include a contribution that directly benefits related persons of the donor.

4. Any taxpayer who claims an allowable deduction must file an annual tax declaration in accordance with paragraph 2 of Article 30 of this law and submit a receipt in respect of such deduction to the Tax Administration.

**Article 10**

**Representation Costs**

Representation costs are allowed as expenses under this Law up to a maximum of two percent (2%) of total gross income.

**Article 11**

**Bad Debts**

1. A bad debt shall be considered an expense if it meets all of the following three (3) conditions:

1.1. the amount that corresponds to the debt has previously been included in income;
1.2. the debt is written off in the taxpayer’s books as worthless; and
1.3. there is adequate evidence of substantial unsuccessful attempts made by the
taxpayer to collect the debt.

2. Bad debts that are deducted as expenses and then collected later shall be included as income at the time of collection.

Article 12
Reserve Funds

1. Except as otherwise provided in this Law, contributions to reserve funds are not allowable as an expense.

2. Banks are entitled to an expense for the creation of a special reserve fund for the bank’s doubtful assets, of an amount not to exceed the maximum amount allowable by the Central Bank of Kosovo.

3. Subsequent to the creation of the special reserve fund, any amount withdrawn from the fund shall be included in income and any amount placed back into the fund, to replenish it to the allowable amount, shall be allowed as a deduction.

Article 13
Payments to Related Persons

1. Compensation or emoluments paid to a related person shall be allowed as an expense in an amount equal to the lesser of the actual payment or the market value.

2. Interest, rent, and other expenses paid to a related person shall be allowed as an expense in an amount equal to the lesser of the actual payment or the market value.

Article 14
Depreciation

1. Expenditures on tangible property, other than expenditures for land, works of art, and other property which are not subject to wear, owned by the taxpayer and used for the taxpayer’s economic activity, shall be recovered over time by depreciation deductions in the manner prescribed by this Article.

2. Expenditures on improvements to leaseholds used for the taxpayer’s economic activity shall be recovered through depreciation deductions calculated using the straight-line method with a period equal to the life of the leasehold.

3. All tangible property of the taxpayer that is subject to depreciation under subparagraph 1 of this article shall be placed in one of the following categories:
3.1. Category 1: Buildings and other construction structures;

3.2. Category 2: Automobiles and light trucks, computers, peripherals, and other data processing equipment, office furniture and office equipment, instruments, sundries and other accessories; and

3.3. Category 3: Plant and machinery, heavy transport vehicles, earth moving equipment, other heavy vehicles, rolling stock and locomotives used for rail transport, airplanes, ships and all other tangible assets.

4. Property in each category shall be treated as follows:

   4.1. Category 1: property shall be accounted for in segregated asset accounts;

   4.2. Category 2: property shall be placed in one pool and have a consolidated capital account; and

   4.3. Category 3: property shall be placed in one pool and have a consolidated capital account.

5. The amount allowed as a depreciation deduction for the tax period shall be determined by applying the following percentages to the capital account for such category under the reducing balance method at the close of the tax period:

   5.1. Category 1: five percent (5%);

   5.2. Category 2: twenty percent (20%); and

   5.3. Category 3: fifteen percent (15%).

6. An asset shall first be taken into account for the purpose of the present Article when it is first placed into service.

7. The initial addition to the capital account for any asset acquired during the year shall be its cost plus insurance and freight. The initial addition to capital account for any property constructed by the taxpayer shall include the taxes, duties, and interest attributable to such property for the periods before the property is placed into service.

8. Expenditure on an asset belonging to Category 2 or Category 3 that is less than one thousand (1.000) euro shall be allowed as a current expense.
Article 15
Special Allowance for New Assets

1. If a taxpayer purchases any asset belonging to Category 3 for the purpose of the taxpayer’s economic activity between 1 January 2005 and 31 December 2008, a special deduction of ten percent (10%) of the cost of acquisition of the asset shall be allowed in the year in which the asset has been first placed into service. This deduction shall be in addition to the normal allowable depreciation deduction. The deduction shall be allowed only if the asset is new or is placed into service in Kosovo for the first time. A deduction shall not be allowed if the asset is transferred from an existing or a former business in Kosovo.

2. Other special allowances may only be granted if so provided by specific Law.

Article 16
Repairs and Improvements

1. In the case of any segregated asset account and any pooled asset account:

   1.1. to the extent that the amounts expended during the tax period to repair, maintain or improve the property do not exceed five percent (5%) of the balance in the account at the beginning of the year, such amounts shall be allowed as a deduction for such year; and

   1.2. to the extent that such amounts exceed five percent (5%), such excess shall be treated as improvements and added to the applicable segregated asset or pooled account.

Article 17
Amortization

1. Expenditures on intangible assets that have a limited useful life including patents, copyrights, licenses for drawings and models, contracts and franchises are deductible in the form of amortization charges.

2. The method of amortization shall be the straight-line method and the allowance shall be based on the useful life of the asset as determined by the legal agreement governing the acquisition and use of the intangible asset.

Article 18
Exploration and Development Costs

1. All exploration and development costs in respect of a natural deposit of minerals and other natural resources and interest attributable thereto shall be added to a capital account and amortized under the present Article.
2. The amount allowed as an amortization deduction with respect to exploration and development costs referred to in paragraph 1 of this Article for the tax period shall be determined by multiplying the balance in the capital account by a fraction of:

2.1. the numerator of which is the units extracted from the natural deposit during the year; and

2.2. The denominator of which is the estimated total units to be extracted from the natural deposit over the life of the asset.

3. The estimated total units to be extracted referred to in sub-paragraph 2.2 of paragraph 2 of this article shall be determined in accordance with instructions concerning such estimates to be set out in an Administrative Instruction issued by the Ministry of Finance and Economy.

CHAPTER IV

CAPITAL GAINS AND LOSSES, BUSINESS LOSSES

Article 19
Capital Gains and Losses

1. Capital gain means income that a taxpayer realizes through the sale or other disposition of capital assets including real estate and securities.

2. The amount of capital gain is the positive difference between the sales price of the capital asset and the cost of the capital asset as determined under paragraph 7 of this Article.

3. Capital loss means a loss that a taxpayer realizes through the sale or other disposition of capital assets including real estate and securities.

4. The amount of capital loss is the negative difference between the sales price of the capital asset and the cost of the capital asset as determined under paragraph 7 of this Article.

5. The sales price of a capital asset shall be the sum of any money received plus the market value of any property other than money received as consideration for the sale.

6. If the parties are related persons and the sales price is less than the market value, then, for purposes of the present Article, the sales price shall be the market value.

7. The cost of the capital asset is the amount that the taxpayer paid for the acquisition of the capital asset, increased by the cost of improvements, and reduced by depreciation and other expenditures allowable under this Law.

8. This Article does not apply to capital assets subject to depreciation as pooled assets.
9. Capital gains shall be recognized as business income and capital losses as business losses.

**Article 20**
**Involuntary Conversions**

A capital gain shall not be recognized on the involuntary conversion of property to the extent that the consideration received from the conversion consists of either property of the same character or nature or money that is invested in property of the same character or nature within a replacement period of two (2) years.

**Article 21**
**Business Losses**

1. A business loss is the negative difference between the taxpayer’s income and expenses arising from economic activity.

2. The amount of the business loss determined under this Article may be carried forward for up to seven (7) successive tax periods and shall be available as a deduction against any income in those years.

3. The amount of the carry forward taken into account for any tax period after the year of the business loss shall be the entire amount of the loss, reduced by the aggregate amount previously allowed as a deduction.

4. If a taxpayer has a business loss in more than one (1) year, the present Article shall be applied to the losses in the order in which they arose.

**CHAPTER V**
**LIQUIDATION AND REORGANIZATION**

**Article 22**
**Distribution of Property**

1. A company that distributes property other than stock to a shareholder with respect to the shareholder’s interest shall recognize a gain or a loss as if such property had been sold to such shareholder at its market value.

2. The property distributed to the shareholder shall be valued at the market value of the property.

3. In the case of a distribution of stock dividends that does not change the share of participation of the recipient, the company shall not recognize a gain or a loss and the shareholder shall not realize income.
Article 23
Liquidation

1. In the case of a liquidation of a company, the company shall take into account any gain or loss as if it had sold the property distributed in the liquidation at its market value.

2. Except as otherwise provided in this Law, the recipients of property distributed in liquidation shall be treated as if they exchanged their equity interest in the liquidated company for an amount equal to the market value of such property.

3. In the case of a liquidation of a subsidiary where the property of the subsidiary is distributed to a parent, the parent shall not recognize any gain or loss.

Article 24
Reorganization

1. Transfers of property pursuant to a written plan for a reorganization of a taxpayer, whether due to bankruptcy, merger, acquisition or otherwise, which is approved by the Tax Administration, shall not be taxed under this Law.

2. In the case of a reorganization, the book value of the property held by the reorganized taxpayer shall be determined by reference to the book value of such property immediately before the reorganization.

3. In the course of a reorganization, a distribution to a shareholder in respect of the shareholder’s equity interest shall not constitute taxable income to the shareholder.

4. Except as otherwise established in an Administrative Instruction issued by the Ministry of Finance and Economy, the acquiring taxpayer shall succeed to and take the place of the acquired taxpayer with respect to inventories, loss carry forwards, dividend accounts, and all other such items.

CHAPTER VI
TRANSFER PRICES, AVOIDANCE OF DOUBLE TAXATION

Article 25
Transfer Prices

1. The price used in conjunction with asset transactions or contract obligations between related persons shall be considered the transfer price.
2. The price expected to be received in conjunction with asset transactions or contract obligations between parties that had been dealing at arm’s-length shall be considered the arm’s-length price.

3. The arm’s-length price shall be determined under the comparable uncontrolled price method and, when this is not possible, the resale price method or the cost-plus method.

4. The difference between the arm’s-length price and the transfer price shall be included in taxable income.

Article 26
Avoidance of Double Taxation

1. A resident taxpayer who receives income from business activities outside of Kosovo through a permanent establishment outside of Kosovo, and who pays tax on that income to any State, shall be allowed a tax credit under this Law in an amount equal to the amount of tax paid to such State.

2. Any tax credit under the present Article is limited to the amount of tax that would be paid under this Law on the income made in such State.

3. Any applicable bilateral agreement on avoidance of double taxation shall supersede the provisions of this Article.

CHAPTER VII
WITHHOLDING TAX

Article 27
Withholding Tax on Dividends, Interest, Royalties and Rents

1. Except where a taxpayer has paid Kosovo income tax on dividends distributed to a resident, each taxpayer who pays dividends, interest or royalties to resident or non resident persons shall withhold tax at the rate of ten percent (10%) at the time of payment or credit and remit the tax withheld to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo.

2. Except in the case of rent paid by natural persons, each taxpayer who pays rent to resident or non-resident persons shall withhold tax at the rate of ten percent (10%) at the time of payment or credit and remit the tax withheld to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo.
3. Each taxpayer who pays dividends, interest, royalties or rent and who withholds tax under this Article during a tax period shall, upon request, provide by 1 March of the year following the tax period a certificate of tax withholding in the form specified by the Tax Administration.

CHAPTER VIII
SPECIAL PROVISIONS

Article 28
Treatment of Insurance Companies

In the case of any entity whose principal activity is the insurance or reinsurance of life, property, or other risks, the tax imposed by this Law shall be an amount equal to seven percent (7%) of the gross premiums accrued during the tax period.

Article 29
Treatment of Commercial Income of Non-Governmental Organizations

A non-governmental organization that conducts any commercial or other activity that is not exclusively related to its public purpose shall be charged income tax at the rate of ten percent (10%) on income derived from such unrelated business activity, reduced by any deductions that are directly related to the carrying on of such business and which are allowed by the Tax Administration.

CHAPTER IX
ADMINISTRATIVE PROVISIONS

Article 30
Tax Declarations

1. A taxpayer that is required or opts to calculate taxable income by adjusting the income and expenses in its financial statements is required to submit to the Tax Administration an annual tax declaration on or before 1 April of the year following the tax period. The declaration shall be made on the forms prescribed by the Tax Administration and shall include, among other things, gross income, allowable deductions, taxable income and the tax due under this Law. Such taxpayers are also required to submit, together with the tax declaration, the financial statements prepared in accordance with UNMIK Regulation No. 2001/30.

2. A taxpayer that claims an allowable deduction pursuant to Article 9 is required to submit to the Tax Administration an annual tax declaration on or before 1 April of the year following the tax period. The declaration shall be made on the forms prescribed by the Tax Administration and
shall include, among other things, gross income, allowable deductions, taxable income and the tax due under this Law.

Article 31
Tax Payments

1. Each taxpayer under this Law shall make quarterly advance payments of tax to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo on or before 15 April, 15 July, 15 October, and 15 January with respect to the calendar quarter immediately preceding these dates.

2. The amount of each quarterly advance payment shall be as follows:

2.1. taxpayers with annual gross income of five thousand (5,000) euro or less: 37.5 euro per quarter;

2.2. taxpayers with annual gross income between five thousand and one (5,001) and fifty thousand (50,000) euro inclusive who are not required to, or do not opt to, prepare financial statements shall make the following payments per quarter:

2.2.1. three percent (3%) of gross income for the quarter from trade, transport, agricultural and similar commercial activities.

2.2.2. five percent (5%) of gross income for the quarter from services, professional, vocational, entertainment and similar activities:

2.2.3. ten percent (10%) of gross income for the quarter from rental activities, reduced by any amount withheld during that quarter pursuant to paragraph 2 of Article 27 of this Law;

2.3. taxpayers with annual gross income in excess of fifty thousand (50,000) euro and taxpayers who are required to, or opt to, prepare financial statements shall make the following payments per quarter:

2.3.1. one-fourth (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 pursuant to Article 27 of this law; or

2.3.2. for the second and subsequent tax periods that a taxpayer makes payment under this sub Article, one-fourth (1/4) of one hundred and ten percent (110%) of the total tax liability for the tax period immediately preceding the current tax period reduced by any amount withheld during the quarter pursuant to paragraph 2 Article 27 of this law.
3. A taxpayer who makes quarterly advance payments pursuant to subsection 2.2.3 of paragraph 2 of this article shall perform a final settlement of tax and pay the final amount due on or before 1 April of the year following the tax period.

4. The amount due for the final settlement shall be the total tax due for the tax period determined in accordance with this Law, less the amounts withheld pursuant to Article 27 of this law and paid to the Tax Administration and less the amounts paid in the quarterly installments and the foreign tax credit allowable under this Law.

5. If the amounts paid in the quarterly installments, plus the foreign tax credit and plus any amounts withheld pursuant to Article 27 of this law and paid to the Tax Administration is greater than the total tax due determined in accordance with this Law, the taxpayer shall be entitled to a refund of the excess tax paid.

6. If payments for the quarterly installments have been made on or before the due dates and a final settlement has been made as required by paragraph 3 of this Article, no interest or penalty shall be charged for insufficient payment if:

   6.1. The difference between the amount due in each installment and the amount paid each installment is not greater than ten percent (10%) of the amount due; or

   6.2. After the taxpayer’s first tax period, the amount paid in each installment is ten percent (10%) higher than one-fourth (1/4) of the tax assessed by the Tax Administration for the preceding tax period.

CHAPTER X

FINAL PROVISIONS

Article 32
Implementation

The MFE may issue sub legal act for the implementation of this Law.

Article 33
Applicable Law

This law shall make void any provision which is inconsistent with it.
Article 34
Entry into Force

This law shall enter into force on 1 January 2009.

Law No. 03/L-113
18 December 2008

President of the Assembly of the Republic of Kosovo

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Jakup KRASNIQI