



**Central Fiscal Authority**



**ADMINISTRATIVE INSTRUCTION No. 02/2002, Date April 1, 2002**

**ON**

**IMPLEMENTATION OF PROFIT TAX IN KOSOVO**

The Head of Central Fiscal Authority,

Hereby gives the following Administrative Instruction:

Section 1  
Definitions

The term 'Regulation' means the UNMIK Regulation No.2002/3, of 20<sup>th</sup> of February 2002 'On Profit Taxes in Kosovo'.

Section 2  
Allowable Expenses

In accordance with Section 6 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, transfer orders and other relevant documents must be available for inspection on requExploration and Development Costs

Section 17 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 are incurred. 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: A company has taken a lease on a copper field and that the estimated number of units in the deposit is of 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 of €500,000. To determine the amount of amortization allowed for the tax period, the balance in the account must be multiplied by the CA coefficient. In this case, the coefficient is 10% (1,500,000/15,000,000). The amortization allowed as a deduction is therefore €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 on 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 4 Tax Declaration

In accordance with Section 28 of the regulation a profit tax declaration shall be submitted at any authorized bank on or before the 1<sup>st</sup> 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 is stamped by the bank. The tax declaration shall be considered as an assessment made by taxpayers themselves. The format of the tax declaration together with the instructions on how to complete it will be determined in a subsequent Administrative Instruction.

#### Section 5 Quarterly Payments

In respect of Section 29 of the regulation, each taxpayer shall make quarterly installment payments for profit tax at any authorized bank in Kosovo within 15 days from the end of the quarter. If the deadline for filing the installment payment form is a weekend or a holiday the form shall be submitted on the first working day following the weekend or the holiday. The amount payable through quarterly installments shall be the highest of:

- a) the estimated profit for the tax period divided by four and multiplied by the tax rate,
- or
- b) the amount of the profit tax assessed by Tax Administration for the previous tax period if any, or if there is no assessment by Tax Administration, the amount declared by the taxpayer, divided by four.
- c) For the tax period 2002 each taxpayer shall make quarterly payments based on the estimated profit for 2002. Tax Administration will compare the estimated income declared for 2002 to the income declared or assessed for Presumptive Tax or Value Added Tax in 2001. Substantial variations will be automatically investigated. Estimated expenses will also be reviewed.

The installment payment format is set forth here below:

**PROFITS TAX  
INSTALLMENT PAYMENT FORM [2]**

[1] Filing Period(Q/YYYY)  
.....

PQ\_.....

[2] Business Registration  
Number

[3]

Serial Number

[4] Business Name

[4]

[5] Address

[5]

Street- City

Street Number

Telephone:

[6] Owner name

[6]

Telephone:

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

Addition

Correction

Additional Payment

[8] Estimated Income for the Tax Period divided by 4.....

f81

[9] Estimated Expenses for the Tax Period divided by 4.....

f91

[10] Estimated Profit for the Tax Period divided by 4...[10]=[8]-[9] .....

f101

**(If negative enter 0)**

[11] Installment for the Quarter [10] x 20%.....

f111

**( If negative enter 0)**

[12] Assessed Profit Tax for the previous year divided by 4.....

f121

[13] Installment Payment to be paid with this form.....

f131

**(Enter the highest of [11] and [12])**

[14] Tax Withheld on Dividends, Royalties and Interest paid to non-residents  
remitted with this form **(Fill out Schedule A on the reverse)**.....

f141

[15] Total payment with this form [15]=[13]+[14].....

f151

**(Insurance Companies only)**

[16] Gross premiums for the quarter .....

f161

[17] Installment for the quarter [16] x 7%.....

f171

**I declare that the above data are true.**

(.....)

dd/mm/yy

Bank Payment Information					
Account Number	XXXXXXXXX	Branch/Transfer Reference	No.	DEM	Value
Account Holder/Kosovo Consolidated Budget		Date/Signature/Seal		1000	
				500	
Currency	Amount			200	
Customer Ref.	Value Date			100	
Text				50	
				20	
				10	
				5	

Schedule A

Amount paid to non-resident persons	Nature of the Income			Tax Withheld on the Income [15% x (a)]	Country of Origin of the Non-resident Person
	Dividend	Interest	Royalty		
<b>A</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>	<b>f</b>

**Enter the total of column 'e' in box [14] of the tax return.**

Section 6

Entry into force

The present Administrative Instruction enters into force on the same date as the UNMIK Regulation 2002/03: 1<sup>st</sup> of April 2002.

Head of Central Fiscal Authority

Mike Ives