General Information on Taxes

May, 2018
Introduction

- Presentation
  - Name
  - Professional experience
Types of businesses
The following businesses are registered by the KBRA:

- Individual Business - I.B
- General Partnership – G.P
- Partnership - P
- Limited Liabilities Companies – L.L.C
- Joint Stock Companies – J.S.C
- Foreign Company “BRANCH IN KOSOVO”
- Socially-Owned Enterprises – SOE
- Public Enterprises – PE
- Agricultural Cooperatives – A.C
Categorization of business types
Business registration

- The application for business registration can be done in any municipal centre of KBRA (One-Stop-Shop), depending on the main office or location of performance of activity of the entity applying for registration. The forms to be filled in for business registration can be downloaded on the KBRA website www.arbk.org
TAK vision

Our vision is:

• to be reliable and respected, as well as be well comparable to the leading tax administrations in Europe.
TAK mission

Our mission is:

• to collect taxes and contributions in order to support the economic development and well-being of Kosovo citizens.
Voluntary Compliance
TAK Identity

Administrata Tatimore e Kosovës
Poreska Administracija Kosova
Tax Administration of Kosovo
Description of TAK Logo

Krijimi i imazhit

Kjo logo është e futur brenda komizies së bardhë duke tregon që ATK vepron brenda komizave të caktuara me lig një mënyren me të mëte organizative dhe menaxhuese. Njëja e këtij katorri paraqet transparenc dhe profesionalizëm mbështetin që të jetë ATK.

Secilë prej apo ngjyrë e logos përfaqëson pika të strategjizë e së ATK-së. Gjithashtu, logoja lidhet me shkronjen e parë të emrit të Republikës së Kosovës. Njëja e përbëse të kësaj forme shprehin vizioni dhe misionin e ATK-së duke përfishi brenda saj falasërim dhe besueshmëri. Nderkaq nga ngjyrë e bardhë e cila ndërta nga ngjyrat mes vole, paraqet trasparencen brenda ATK-së.

Lojë e ndarë ne dy prejse formon shkronjen E e cila paraqet valutën e Euros pasi që Administrata Tatimore punon kryesore e ka me parcelë, specifikisht valutën e Euros.

Ideja e terkendëshit është e bazuar në 3 kundërfakat që përmban vizion dhe misionin e ATK-së, brenda pengendrimit të plotë të legjislacionit dhe regjulloreve tatimore. Kjo tregon që puna e ATK-së është në vijë të drejta dhe po shkon drejti pikës së suksesi. Njëja rozh paraqet falasërim dhe besueshmëri ndërsa njëja hiri paraqet vizionin dhe missonin që ka ATK. Ncërsa vijat e bardhë që krijojnë hapsirë mes ngjyrave paraqesin transparentët që ATK ka ndaj qytetarëve të saj.
### What taxes apply in Kosovo?

<table>
<thead>
<tr>
<th>Tax Category</th>
<th>Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Added Tax</td>
<td>Tax Administration of Kosovo</td>
</tr>
<tr>
<td>Personal Income Tax</td>
<td></td>
</tr>
<tr>
<td>Corporate Income Tax</td>
<td></td>
</tr>
<tr>
<td>Games of Chance Tax (Licensing)</td>
<td></td>
</tr>
<tr>
<td>Pension Contributions</td>
<td></td>
</tr>
<tr>
<td>Customs Tax</td>
<td>Kosovo Customs</td>
</tr>
<tr>
<td>Excise</td>
<td></td>
</tr>
<tr>
<td>Property Tax</td>
<td>Municipalities of Kosovo</td>
</tr>
<tr>
<td>Local taxes</td>
<td></td>
</tr>
</tbody>
</table>
TAK responsibilities

TAK is responsible to collect the following government central taxes:

- VAT on domestic supplies,
- Corporate Income Tax,
- Personal Income Tax,
- Withholding Tax,
- Pension contributions,
- Issuance of licenses for Game of Chance.
- Monitoring the fulfilment of obligations from games of chance activities and the implementation of the Law on Games of Chance.
## Applicable laws on taxes

<table>
<thead>
<tr>
<th>No</th>
<th>Name of the law</th>
<th>No. of the law</th>
<th>No. of the Administrative Instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Law on Tax Administration and Procedures</td>
<td>No. 03/L-222</td>
<td>No. 15/2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No. 04/L-102</td>
<td>No. 03/2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No. 04/L-223</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Law on Value Added Tax</td>
<td>No. 05/L-037</td>
<td>No. 03/2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No. 06/2016</td>
</tr>
<tr>
<td>3</td>
<td>Law on Personal Income Tax</td>
<td>No. 05/L-028</td>
<td>No. 01/2016</td>
</tr>
<tr>
<td>4</td>
<td>Law on Corporate Income Tax</td>
<td>No. 05/L-029</td>
<td>No. 02/2016</td>
</tr>
<tr>
<td>5</td>
<td>Law on Pension Contributions</td>
<td>No. 04/L-168</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>No. 04/L-101</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Law on Games of Chance</td>
<td>No. 04/L-080</td>
<td>No. 03/2013</td>
</tr>
<tr>
<td>Tax type</td>
<td>Turnover threshold</td>
<td>Tax rate</td>
<td></td>
</tr>
<tr>
<td>-------------------------------</td>
<td>--------------------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>Value Added Tax - VAT</td>
<td>30,000 euros</td>
<td>8% and 18%</td>
<td></td>
</tr>
<tr>
<td>Corporate Income Tax - CIT</td>
<td>under 50,000 euros</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Manufacturing, trading and transporting activity, etc.</td>
<td>3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Activity</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Income Tax - PIT</td>
<td>under 50,000 euros</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Manufacturing, trading and transporting activity, etc.</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Activity</td>
<td>9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate Income Tax – CIT</td>
<td>over 50,000 euros</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Personal Income Tax - PIT</td>
<td>over 50,000 euros</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Annual income from 0 to 960</td>
<td></td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Annual income from 960 - 3000</td>
<td></td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Annual income from 3,000 to 5,400</td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Annual income from 5,400 and over</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax on Wages (monthly)</td>
<td></td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Monthly income from 0 to 80</td>
<td></td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Monthly income from 80 - 250</td>
<td></td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Monthly income from 250 - 450</td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Monthly income from 450 and over</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax on Rents, Interest and Royalties</td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Tax on Special Categories</td>
<td></td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Tax on Non-residents</td>
<td></td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>
Tax Compliance Requirements

1. Registration
2. Documentation
3. Declaration
4. Payment
Business registration

- As of 01 March 2017 onward, all businesses that are registered in KBRA, namely in One-Stop-Shops, shall be supplied with only one registration number which will be a unique number. The Unique Business Registration Number is a nine digit number, which starts with the first two digits 81....... (e.g. 810000123).

- Thus, as of 01 March 2017, no business is required to be provided with a Fiscal Number in TAK, because upon the issuance of Unique Registration Number at KBRA, the business is considered to have been registered even in TAK.
Fiscal number and obtaining the fiscal certificate

- **What is fiscal number?**

- “Fiscal number”- means an 8-digit number, plus 1 verifying digit, which is issued to the taxpayers by TAK, and aims at identifying the taxpayers on taxation aspect, through which taxpayers fulfill their tax obligations towards TAK.

- New businesses that have obtained the Unique Business Registration Number do not need to obtain the fiscal number. Fiscal numbers issued before 01 March 2017 continue to be recognized until a further notice by KBRA regarding business re-registration.
Registration and obtaining the fiscal number

- Any person subject to any kind of tax administered by the TAK, shall obtain a fiscal number before engaging in any economic activity
  - Natural and legal persons
  - NGOs
  - Budget Organizations of Central and Local Institutions
  - Partnerships, and
  - Any individual who wishes or is required to submit an annual declaration.

Caution: Performing economic activity without obtaining a fiscal number is charged with fine of 500€
Procedures for obtaining the fiscal number under the Law on TAK

- Businesses registered with KBRA shall not be obliged to obtain a Fiscal Number with TAK.
- Other persons not registered with KBRA shall obtain a Fiscal Number only at TAK, where they must first fill in the Fiscal Number Application Form.
Natural person
Individual taxpayer
(Fiscal number: 600000000)

Enterprise 1

Unit 1

Unit 2

Unit 3

Enterprise 2...

Unit 1

Unit 2

Unit 3

Legal Person
Non-individual taxpayer
(Fiscal number: 600000000)

Unit 1

Unit 2

Unit 3
Deregistration of Taxpayers

- The taxpayers have the right to request deregistration,
- Review of application within 60 days,
- Deregistration after having paid all tax obligations,
- De-activating the business,
- Notifying KBRA within MTI,
- Does not mean that eliminates tax obligations.
Creating and retaining records

- Requests for books and records
- Registration of goods
- Origin of goods
- Cash registration invoices and coupons
- Fiscal devices
- Transactions over 500€
Requests for books and records

- Books and records are kept in writing or electronically
- For businesses with a turnover under 50,000€, the minimum books and records to be kept are:
  - Purchase book,
  - Sales book,
  - Cash register book,
  - Bank reports,
  - Copies of documents
  - Registration of goods,
  - Book of employees, etc.

  - Purchase and sales invoices must be registered within a period of 5 days
  - Cash purchases and cash sales must be recorded on a daily basis
  - Initial number and the ending number of each daily sale coupon must be logged in the sales book.
Requests for books and records

- Businesses with annual turnover over 50 000€ and those that voluntarily choose to declare on real basis, must keep records under the Kosovo Accounting Standards (SKK), such as:
  - Purchase book (all purchases or declarations are recorded)
  - Sales book (all sales or declarations are recorded)
  - Cash register book (all incoming and outgoing entries in cash register are recorded)
  - Bank reports (deposits or withdrawals are recorded)
  - Main account (opening balance, capital addition, depreciation, closing balance)
  - Financial Statements and Balance Sheet
  - Copies of supporting documents for entries in books
  - Registration of goods

Book of employees

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Poreska Administracija Kosova
Tax Administration of Kosovo
Documents on the origin of goods

- Unique Customs Document (UCD)
- Transport documents
- Invoice including VAT
- Invoice excluding VAT
- Tax certificates / coupons/ receipts

When a person engaged in economic activity possesses goods without origin, that person shall be liable to an administrative penalty of twenty-five percent (25%) of the market value of the goods. Such goods may be seized and taken into protective custody by TAK for the settlement of the penalty liability.
Creating and retaining records

- Taxpayers are obliged to keep books and records in compliance with the tax legislation, namely Article 13 of the Law 03/L-222 where among other things foresees:
  - The period of at least six years of retaining the records after the period when the tax obligation arose;
  - Any transaction over 500€ between persons involved in economic activity must be done through the bank account.
# Invoices and coupons of Fiscal Electronic Devices (FEDs)

<table>
<thead>
<tr>
<th>Invoice elements between taxable persons (registered for VAT)</th>
<th>Invoice elements from taxable person (registered for VAT) to non-taxable person</th>
<th>Invoice elements between non-taxable persons (who are not registered for VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice serial number</td>
<td>Invoice serial number</td>
<td>Invoice serial number</td>
</tr>
<tr>
<td>Date/Month/Year of invoice issuance</td>
<td>Date/Month/Year of invoice issuance</td>
<td>Date/Month/Year of invoice issuance</td>
</tr>
<tr>
<td>Name and address of seller</td>
<td>Name and address of seller</td>
<td>Name and address of seller</td>
</tr>
<tr>
<td>Seller’s fiscal number</td>
<td>Seller’s fiscal number</td>
<td>Seller’s fiscal number</td>
</tr>
<tr>
<td>VAT registration number of seller</td>
<td>VAT registration number of seller</td>
<td>VAT registration number of seller</td>
</tr>
<tr>
<td>Full name and address of seller</td>
<td>Full name and address of seller</td>
<td>Full name and address of seller</td>
</tr>
<tr>
<td>Buyer’s fiscal number</td>
<td>Buyer’s fiscal number</td>
<td>Buyer’s fiscal number</td>
</tr>
<tr>
<td>Full name and address of buyer</td>
<td>Full name and address of buyer</td>
<td>Full name and address of buyer</td>
</tr>
<tr>
<td>VAT registration number of buyer</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Invoices and coupons of Fiscal Electronic Devices (FEDs) cont.

<table>
<thead>
<tr>
<th>Invoice elements between taxable persons (registered for VAT)</th>
<th>Invoice elements from taxable person (registered for VAT) to non-taxable person</th>
<th>Invoice elements between non-taxable persons (who are not registered for VAT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The quantity and nature of goods supplied, or the level of services provided</td>
<td>The quantity and nature of goods supplied, or the level of services provided</td>
<td>The quantity and nature of goods supplied, or the level of services provided</td>
</tr>
<tr>
<td>Date of supply or date of receipt of payment in account.</td>
<td>Date of supply or date of receipt of payment in account.</td>
<td></td>
</tr>
<tr>
<td>Item or service price per unit</td>
<td>Item or service price per unit</td>
<td>Item or service price per unit</td>
</tr>
<tr>
<td>VAT applied rate</td>
<td>VAT applied rate</td>
<td></td>
</tr>
<tr>
<td>If the goods are not charged with VAT, depending on the legal provisions or any special agreement with the Government, it must be written in the invoice.</td>
<td>If the goods are not charged with VAT, depending on the legal provisions or any special agreement with the Government, it must be written in the invoice.</td>
<td>Total value of goods and services supplied</td>
</tr>
<tr>
<td>Signature of buyer and seller</td>
<td>Signature of buyer and seller</td>
<td></td>
</tr>
<tr>
<td>The taxable person must issue the invoice before the 15th day of the month following that in which the chargeable event occurs.</td>
<td>The taxable person must issue the invoice before the 15th day of the month following that in which the chargeable event occurs.</td>
<td>Other information that might be required from buyer</td>
</tr>
</tbody>
</table>
Transactions over 500€

- For transactions between taxable persons, the payment must be made through the bank account, regardless of whether the payment is made in parts.

- Even for exchange transactions worth over 500 euros, the payment should be made by a bank transaction.
Access to books and records

- Access to taxpayer notes as well as the right to possess, copy them;
- Taxpayer may provide additional documents no later than the date of receipt of the final report, taking into account the causes that do not depend on his will,
- The document that has not been provided by this time will not be taken into account either by the Appeals Department.
Declaration and corrections

- Any person subject to any taxation under applicable legislation in Kosovo shall submit to TAK or its agent a declaration filled in under the requirements of this Law,
- Obligation to fill in and submit the Tax Declaration and its content,
- Self-assessment of tax obligation and its correction not later than six (6) years after the mandatory date when the declaration was initially submitted,
- In cases when the employer is not required to withhold the tax or pension contribution, then the employee must file a declaration and pay at the end of the year.
# Deadlines for declaration and payment of taxes

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Naming the form</th>
<th>Abbreviation</th>
<th>Deadline of declaration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tax on rent and intangible property statement</td>
<td>IR</td>
<td>From 1 to 15 of each quarter</td>
</tr>
<tr>
<td>2</td>
<td>The quarterly tax payment and contributions for large individual businesses</td>
<td>IL</td>
<td>From 1 to 15 of each quarter</td>
</tr>
<tr>
<td>3</td>
<td>The quarterly tax payment and contributions for small individual businesses</td>
<td>IS</td>
<td>From 1 to 15 of each quarter</td>
</tr>
<tr>
<td>4</td>
<td>Statement of withholding tax and payment</td>
<td>WM</td>
<td>From 1 to 15 of each month</td>
</tr>
<tr>
<td>5</td>
<td>Monthly statement of withholding and payment of interest tax, dividend, royalties, rental, lottery winning and games of chance</td>
<td>WR</td>
<td>From 1 to 15 of each month</td>
</tr>
<tr>
<td>6</td>
<td>Quarterly statement of payment in advance for small corporations</td>
<td>QS</td>
<td>From 1 to 15 of each quarter</td>
</tr>
<tr>
<td>7</td>
<td>Quarterly statement of payment in advance for large corporations</td>
<td>QL</td>
<td>From 1 to 15 of each quarter</td>
</tr>
<tr>
<td>8</td>
<td>Tax declaration on corporate incomes</td>
<td>CD</td>
<td>From 1 January to 31 March</td>
</tr>
<tr>
<td>9</td>
<td>VAT payment declaration form</td>
<td>TV</td>
<td>From 1 to 20 of each month</td>
</tr>
<tr>
<td>10</td>
<td>Annual declaration form and payment on Personal Income Tax</td>
<td>PD</td>
<td>From 1 January to 31 March</td>
</tr>
<tr>
<td>11</td>
<td>Statement of pension contributions and payment form</td>
<td>CM</td>
<td>From 1 to 15 of each month</td>
</tr>
<tr>
<td>12</td>
<td>Request for Reimbursement and Return</td>
<td>KRR</td>
<td>From 1 to 20 of each month or quarter</td>
</tr>
<tr>
<td>13</td>
<td>Tax declaration on income from partnership</td>
<td>DO</td>
<td>From 1 January to 31 March</td>
</tr>
<tr>
<td>14</td>
<td>Authorization on tax information</td>
<td>AIT</td>
<td>For each request</td>
</tr>
</tbody>
</table>
The right of taxpayer assessment

- If the taxpayer’s information does not reflect the exact tax obligation
- When the taxpayer failed to deliver the declaration,
- Assessment will be based on:
  - At the best judgment and based on the documentation provided by the Taxpayer, and
  - From third parties,
- Taxpayer has the burden of proof,
- Where TAK has sufficient information on the undeclared obligation by the taxpayer, TAK may carry out an immediate assessment.
Time limit to carry out an assessment

- All taxes must be assessed within six years of the date the tax declaration to which the assessment relates was due, or the date the declaration was submitted, whichever is later.

- TAK may make an assessment at any time where:
  - A person has failed to deliver a tax declaration
  - A person has delivered a tax form with the intent of evading tax; or
  - Fraudulent behavior of a third person has led to an understatement of tax or overstatement of credits.
Tax payment

- Any tax to be paid is considered a debt to TAK,
- The tax payment will be made at the place and time determined by TAK,
- This law establishes the obligation to withhold tax and pension contribution, both for employees and self-employed,
- All taxes will be paid to the bank or other financial institutions licensed by the Central Bank of the Republic of Kosovo (CBK).
Interest

- Interest for failure to pay the tax:
  - 1.25% per month until 31.12.2014
  - 0.91% from 01.01.2015 – 31.12.2015
  - 0.7% from 01.01.2016 – 31.12.2016
  - Now the interest 0.65% per month

- In case of an agreement for payment of tax obligations by installments, the interest will be terminated from the date of reaching the agreement.
- If the agreement is not respected, the interest will be restored again.
Sanctions for non-compliance

- Any sanction imposed under the Law No. 03/L-222, shall be considered as tax duty to TAK and as a result will be collectable similarly as the tax.
Appeals Department

• The first instance of taxpayer appeals against TAK's assessment,
• Appeal shall be filed within 30 days after receipt of assessment, with the possibility of extension if there are causes of,
• The person bears the burden of proof,
• A.D Decision within 60 days after receiving the appeal,
• A.D Decision, TAK last assessment and mandatory to TAK,
• Taxpayer who does not agree with A.D can file an appeal to the Fiscal Division of the Administrative Department of the Basic Court of Prishtina, 30 days after the receipt of the decision issued by A.D.,
• If A.D does not issue a decision within 60 days, the taxpayer may file an appeal directly to the Fiscal Division of the Administrative Department of the Basic Court of Prishtina.
What is VAT?

- Tax on consumption
- Paid by the last consumer
- VAT base
- Indirect tax
- Collected through self-declaration
- How is VAT determined for payment or reimbursement?
## Example 1: VAT to be paid

<table>
<thead>
<tr>
<th>Description</th>
<th>Price</th>
<th>VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of sale</td>
<td>11,000€</td>
<td>1,980€</td>
</tr>
<tr>
<td>Collectable VAT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of purchase</td>
<td>10,000€</td>
<td>1,800€</td>
</tr>
<tr>
<td>Input VAT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference (Collectable VAT – Input VAT)</td>
<td></td>
<td>180€</td>
</tr>
<tr>
<td>VAT to be paid</td>
<td></td>
<td>180€</td>
</tr>
</tbody>
</table>
### Example 2: VAT to be reimbursed (returned)

<table>
<thead>
<tr>
<th>Description</th>
<th>Price</th>
<th>VAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of sale</td>
<td>9,000€</td>
<td>1,620€</td>
</tr>
<tr>
<td>Collectable VAT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of buying</td>
<td>30,000€</td>
<td>5,400€</td>
</tr>
<tr>
<td>Input VAT</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference (Collectable VAT – Input VAT)</td>
<td></td>
<td>3,780€</td>
</tr>
<tr>
<td><strong>VAT to be reimbursed (returned)</strong></td>
<td></td>
<td>3,780€</td>
</tr>
</tbody>
</table>
# Example 3: VAT chain

<table>
<thead>
<tr>
<th></th>
<th>Transactions Purchase</th>
<th></th>
<th>Transactions Sales</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Paid price</td>
<td>VAT 18%</td>
<td>Total of purchases including VAT</td>
<td>Added value</td>
</tr>
<tr>
<td>Manufacturer of raw material</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Wholesaler</td>
<td>100</td>
<td>18</td>
<td>118</td>
<td>80</td>
</tr>
<tr>
<td>Distributor</td>
<td>180</td>
<td>32.4</td>
<td>212.4</td>
<td>70</td>
</tr>
<tr>
<td>Retailer</td>
<td>250</td>
<td>45</td>
<td>295</td>
<td>90</td>
</tr>
<tr>
<td>Consumer</td>
<td>340</td>
<td>61.2</td>
<td>401.2</td>
<td>-</td>
</tr>
</tbody>
</table>

*Note: The table displays the transactions for different stages of the supply chain, including the paid price, VAT, added value, selling price, and other VAT-related calculations for purchases and sales.*
Object of taxation

- Supply of goods / services
- Made for consideration
- Inside Kosovo territory
- From taxable person
Identification of taxpayers for VAT

Taxable persons

- Natural or legal person
- Performs economic activities in Kosovo "independently"
- Turnover over 30,000 euros within the calendar year
- Volunteer declarer
- Non-resident persons
VAT registration

- Turnover within the calendar year exceeds 30,000€ (as of 01 September 2015)
- Volunteer declarers
- Application for registration in VAT
- Compulsory registration
- Possesses Fiscal Number / Unique Business Registration Number
VAT registration

- Review of application for VAT registration
- Exposure of VAT certificate
VAT deregistration

- Application for VAT deregistration
- Review of application for VAT deregistration
- Changes of VAT data
Chargeable event and chargeability of VAT for supply of goods and services

- **General rules**
  - Supply of goods or services
  - Issuing the invoice in relation to goods/services
  - Receiving the payment in advance

- **Special rules**
  - Successive payments
  - Continuous supply of goods (monthly)
  - Long-term contracts (annually)
Chargeable event and chargeability of VAT under the general rules

- Supply of goods or services
- Issuing the invoice in relation to goods/services
- Receiving the payment in advance
Chargeable event and chargeability of VAT for importing goods

- **General rules**
  - Importing goods (passing through customs point)

- **Special rules**
  - Goods placed in one of the customs arrangements
Taxable amount

- **Taxable amount for supply with goods and services** — Taxable amount for supply of goods and services includes anything that consists the consideration received or to be received by the supplier that has been foreseen for that supply and includes: taxes, obligations and commissions, **excluding the VAT, incidental expenses, packages, transport, insurance, etc.**

- **Taxable amount in relation to importing of goods and services** — Taxable amount in relation to importing of goods shall be the value for customs purposes, determined under the Kosovo customs legislation in force.
Tax rates

- Standard VAT rate - 18%.
- Reduced VAT rate - 8%
What are the exempted supplies?

- Meaning
  - Supply of goods and services which are, by Law, exempted from VAT

- Types of exempted supplies
  - Supplies without the right to deduct the input VAT
  - Supplies with the right to deduct the input VAT
Exemptions without right of deduction of input VAT

- Exemptions for certain activities in the public interest:
  - Hospital services and medical care
  - Welfare and social security services
  - Education services

- Exemptions for other activities
  - Life and health insurance and reinsurance
  - Financial services
  - Supply of land and leasing of immovable property
  - Supply of houses and apartments
  - Supply for religions, etc.
Exemptions with the right of deduction of input VAT

- **Exemptions on importation**
  - Goods of diplomatic and consular offices
  - Goods of recognized international organizations
  - Goods of the Armed Forces
  - Gold and other precious metals for the Central Bank, (etc. Annex IV).

- **Some other special exemptions in respect of importation**
  - Personal property of the natural person who resided abroad (exception: auto etc.)
  - Items needed for studies by foreign persons studying in Kosovo
  - Materials for construction of monuments, graves, etc.
Exemptions in exports

- Supply of goods designated for use outside Kosovo
- Export proof
Exemptions related to certain transactions considered as exports

- Diplomatic and consular arrangements
- International and intergovernmental bodies
- NATO and KFOR
- The supply of gold to the Central Bank.
- Irrigation of agricultural lands
- Donations
- The United Nations, the World Bank and international intergovernmental organizations.
General review on the deduction

- Full deduction
- Non-deduction
- Partial deduction
How are deductions considered?

- **Full deduction** - When purchase is used or is intended to be used only for deductible supplies.

- **Non deduction** - When purchase is used or is intended to be used only for non-deductible supplies.

- **Partial deduction** - When purchase is used or is intended to be used for both, deductible supplies and non-deductible supplies.
The right to deduct VAT

- VAT becomes chargeable
- Receipt of invoice, customs declaration
- Use of goods/services for exempted supplies without the right of VAT deduction
- Use of goods / services for mixed supplies
- Representation costs
- Deductible VAT for vehicles
Exercise and the way of exercising the right to deduct input VAT

- Invoice
- UCD, or
- Any document that serves as an invoice

- Deduction of input VAT later than in the period when it was deductible is considered as a purchase with input VAT
Claims for VAT reimbursement

- Reimbursement claims on quarterly basis
- Reimbursement claims on monthly basis, such as exporters’ reimbursements
- Reimbursement claims on monthly basis for European Commission’s (EC) Contractors
Reimbursement claims on quarterly basis

- At the end of each quarter
- Credit amount greater than 3,000 euros
- Continuous credit after each tax period
- All tax declarations have been submitted
- Exceptions - cessation of economic activity
- Deadline for reimbursement
Reimbursement claims on monthly basis, such as exporters’ reimbursements

- At the end of each calendar month
- Credit amount greater than 3,000 euros
- All tax declarations have been submitted
- Deadline for reimbursement claim
Reimbursement claims on monthly basis for European Commission’s (EC) Contractors

- At the end of each calendar month
- Regardless of credit amount
- All tax declarations have been submitted
- Deadline for reimbursement claim
Evidence in relation to VAT Refund Claim

- All purchase invoices
- All sales invoices
- All customs documentation
- Tax Declaration
- Reasons of overpayment or credit balance
- Any investment project
Persons liable to pay VAT

- Person that carries out taxable supply of goods/services, excluding the application of the reverse charge
- Person who presents the VAT on a invoice
- On imports
- Person that makes the goods remain at the customs warehouse, etc.
- Name of the tax representative
Tax period for VAT

- Calendar month
- Period for a person when registering for VAT
- Period for the person when deregistered from VAT
Submission of declaration and payment of VAT

- An assessment made by the taxpayer itself is considered a tax declaration
- Submission deadline
- Place of submission of the declaration
- Place of payment of tax obligation
VAT declaration
Who are taxpayers for PIT?

- Pursuant to Article 3 of the Law No. 05/L-028 on PIT, the taxpayers are: resident and non-resident natural persons, personal business enterprises, partnerships and associations of persons who receive or accrue gross income.
Taxpayers for CIT

According to the Law on CIT, taxpayers are the following persons:

- corporation or other business organization that has the status of a legal person under the Law applicable in Kosovo;
- business organization operating with public or socially owned assets;
- organization registered as a non-governmental organization under relevant legislation on the Registration and Operation of Non-Governmental Organizations in Kosovo.
- non-resident person with a permanent establishment in Kosovo, subject to provision of paragraph 2 of Article 4 of this Law.
Object of taxation

- The object of taxation for a resident taxpayer is the taxable income from Kosovo and outside Kosovo source;

- The object of a taxation for a non-resident taxpayer is the taxable income only with Kosovo source.
Taxable Income

- Taxable income for a tax period is the income that results from the difference between the gross income received or accrued during the tax period and deductions allowable under the Law on PIT relating to such gross income.
Tax rates in PIT

- Personal Income Tax is applicable at the following rates:

<table>
<thead>
<tr>
<th>Tax rates</th>
<th>Monthly income in €</th>
<th>Annual income in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0 to 80</td>
<td>0 to 960</td>
</tr>
<tr>
<td>4%</td>
<td>80 to 250</td>
<td>960 to 3000</td>
</tr>
<tr>
<td>8%</td>
<td>250 to 450</td>
<td>3000 to 5400</td>
</tr>
<tr>
<td>10%</td>
<td>450 onwards</td>
<td>5,400 onwards</td>
</tr>
</tbody>
</table>
Gross Income

- Wages
- Income from business activities
- Interests
- Rents
- Profits from games of chance
- Profits from copyrights
- Pensions
- Capital gains
- Any other income that increases the taxpayers' net worth
Exempted incomes

- Wages of foreign diplomatic and consular representatives and foreign personnel of Embassies or foreign Liaison Offices in Kosovo;
- Wages of foreign representatives, foreign officials and foreign employees of international governmental organizations and international non-governmental organizations having received and maintained public benefit status under such legislation;
- Wages of foreign representatives, foreign officials and foreign employees of donor agencies or their contractors or grantees carrying out humanitarian aid, reconstruction work, civil administration or technical assistance within Kosovo.
Exempted incomes (cont.)

- Wages received by foreign and locally-recruited officials of the United Nations and its Specialised Agencies and the International Atomic Energy Agency.
- Wages of foreign personnel of KFOR and EULEX;
- Compensation for the damage or destruction of property;
- Proceeds of life insurance policies payable as the result of the death of the insured person;
- Compensation for medical treatment and expenses, including hospitalization and medication, other than wages paid during the periods of absence from work due to sickness or injury;
Exempted incomes (cont.)

- Wages of persons with disabilities as foreseen under relevant laws for these categories;
- Pensions and social welfare assistance paid by the Government of Kosovo;
- Educational expenses paid by an employer on behalf of an employee provided that such expenses are paid directly to an educational institution and provided that onwards the employee remains employed at the employer for at least twenty four (24) months after the education is finalized;
- Scholarships received by an individual, but provided that scholarships are paid directly to the educational institution;
- Training expenses.
Exempted incomes (cont.)

- Compensation benefits received through final decisions by courts and certain compensation for court costs;
- Income in the form of remuneration from state institutions for achievements in science, sports and culture;
- Income received as a result of financial compensation to former political prisoners and other compensations for similar categories;
- Income received from grants, subsidies and donations in accordance with the terms and conditions of their benefit;
- Dividend received from by resident and non-resident person;
Income from wages

Gross income from wages shall include:

- **Wages paid** on behalf of an employer for work carried out by an employee under the direction of the manager or employer;

- **Bonuses, commissions, per diems and other forms of compensation** that an employer or some other person, on behalf of the employer, pays to employees over and above wage;

- Income earned from **temporary work** performed by an employee;

- Income from prospective employment, such as **signing a wage bonus**;
Income from wage (cont.)

- Health and life insurance premiums that an employer pays for the employee;
- Forgiveness of an employee’s debt or obligation to the employer;
- Payment of an employee’s personal expenses by an employer; and
- Except if provided otherwise in the Law on PIT, benefits in things given by an employer to an employee that exceeds the minimum amount of over 65 €.
Gross income from wage

Gross income from wages shall **not include**: 

- Reimbursement of actual business travel expenses including transportation, food and lodging for official travel;
- Transportation - 16 cents per km within Kosovo, outside Kosovo there is no limit but only tickets, ready for inspection;
- Meal - 15 € per day and 25 € if the night is spent in Kosovo, while for travels outside Kosovo, according to the Administrative Instruction of MPA no. 2004/07;
- Sleeping - within Kosovo € 50, while outside Kosovo based on AI of MPA;
Gross income from wage

Gross income from wage **not included**:

- Compensation for accidents at work;
- Contributions given by the employer on behalf of the employee;
- Benefits in kind in form of meals;
- Benefits in kind in form of tickets (>1 kilometer);
- Compensation for commuting (>20 kilometers);
All resident and non-resident individuals, who earn wages in Kosovo, shall be considered employed and are required to pay personal income tax from wages, except for foreign employees in the bodies set forth in the Law on Personal Income Tax in Kosovo.
Steps that must be undertaken in order to apply the PIT from wages

Employee contracts

- For each employee, the employer must have signed contracts by the employer and the employee. The contract specifies the job position, job duties, starting date, working time, compensation, other tasks based on the agreement, etc.
Registration of the employee

- The employer, by declaring the monthly payment list in the electronic format determined by the Tax Administration of Kosovo, determines that the employee has selected it as the principal employer or not;

- Employers, who are not selected as principal employers by their employees, will be treated as secondary employers for tax matters.
Withholding tax on wages

- **wages** usually are paid once, twice or even more times within a month.

- **Deduction** is accepted in the same tax period.

- **Withheld tax** – arises only when wages are actually paid.
Tax on wages

- The principal employer has to calculate (withhold tax on wages for each month) and pay the tax according to the payroll and tax rates given in the following table:

<table>
<thead>
<tr>
<th>Monthly tax rates</th>
<th>Taxable income</th>
<th>Tax percentage</th>
<th>Monthly tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3 (2-1)</td>
<td>4</td>
</tr>
<tr>
<td>0.00</td>
<td>80.00</td>
<td>80.00</td>
<td>0%</td>
</tr>
<tr>
<td>80.00</td>
<td>250.00</td>
<td>170.00</td>
<td>4%</td>
</tr>
<tr>
<td>250.00</td>
<td>450.00</td>
<td>200.00</td>
<td>8%</td>
</tr>
<tr>
<td>450.00</td>
<td>Mbi</td>
<td>0.00</td>
<td>10%</td>
</tr>
</tbody>
</table>

- The secondary employer has to calculate (withhold tax for each month) and pay the tax, only with a maximum rate of 10%. 
Declaration of tax on wages

- Declaration of tax on wages is made only through the Electronic System - EDI, through the TAK website.
- Tax on Wages and Pensions must be paid through the payment voucher generated by the EDI System.
- Payment can be made in person or through E-Banking, at one of the authorized banks/institutions in Kosovo.
- The tax has to be paid in total at the same time as when withheld.
Pension contributions

- The employer (both principal and secondary) should contribute 5% to the gross wage of the employee on behalf of the employee.
- The employer must also withhold 5% of the employee's gross wage, and pay them immediately in the form of pension contributions.
- Both, employer and the employee, can voluntarily raise their contribution amount by 10%.
- The combined contribution, i.e. the percentage of employee and the employer, can not be less than 10%, but not even greater than 30%.
Pension contributions

- Only the contribution of the employee will be deductible for tax purposes from his/her wage.
- Whereas the employer's contribution will be a deductible expense for the employer's tax purposes.
- Minimum Pension Contribution (5% + 5%) should be paid to the KPST, whereas supplementary pension contributions may be paid to the KPST or any other fund licensed by the CBK.
# Example – calculation of wage

## Employee “X”

<table>
<thead>
<tr>
<th>Gross wage</th>
<th>450.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee’s contribution</td>
<td>22.50</td>
</tr>
<tr>
<td>Employer’s contribution</td>
<td>22.50</td>
</tr>
<tr>
<td>Total pension contribution</td>
<td>45.00</td>
</tr>
<tr>
<td>Gross wage</td>
<td>450.00</td>
</tr>
<tr>
<td>Employee’s contribution</td>
<td>22.50</td>
</tr>
<tr>
<td>Taxable wage</td>
<td>427.50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C=B-A</th>
<th>D</th>
<th>E=CxD</th>
</tr>
</thead>
<tbody>
<tr>
<td>G1</td>
<td>0.00</td>
<td>80.00</td>
<td>0%</td>
<td>0.00</td>
</tr>
<tr>
<td>G2</td>
<td>80.00</td>
<td>250.00</td>
<td>4%</td>
<td>6.80</td>
</tr>
<tr>
<td>G3</td>
<td>250.00</td>
<td>427.50</td>
<td>8%</td>
<td>14.20</td>
</tr>
</tbody>
</table>

**Tax on wages G1+G2+G3** 21.00

## Employee “Y”

<table>
<thead>
<tr>
<th>Gross wage</th>
<th>600.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee’s contribution</td>
<td>30.00</td>
</tr>
<tr>
<td>Employer’s contribution</td>
<td>30.00</td>
</tr>
<tr>
<td>Total pension contribution</td>
<td>60.00</td>
</tr>
<tr>
<td>Gross wage</td>
<td>600.00</td>
</tr>
<tr>
<td>Employee’s contribution</td>
<td>30.00</td>
</tr>
<tr>
<td>Taxable wage</td>
<td>570.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C=B-A</th>
<th>D</th>
<th>E=CxD</th>
</tr>
</thead>
<tbody>
<tr>
<td>G1</td>
<td>0.00</td>
<td>80.00</td>
<td>0%</td>
<td>0.00</td>
</tr>
<tr>
<td>G2</td>
<td>80.00</td>
<td>250.00</td>
<td>4%</td>
<td>6.80</td>
</tr>
<tr>
<td>G3</td>
<td>250.00</td>
<td>450.00</td>
<td>8%</td>
<td>16.00</td>
</tr>
<tr>
<td>G4</td>
<td>450.00</td>
<td>570.00</td>
<td>10%</td>
<td>12.00</td>
</tr>
</tbody>
</table>

**Tax on wages G1+G2+G3+G4** 34.80
# Monthly payroll book

<table>
<thead>
<tr>
<th>Name</th>
<th>Surname</th>
<th>Employee’s individual number</th>
<th>Gross wage per month</th>
<th>Employee’s pension contribution</th>
<th>Employer’s pension contribution</th>
<th>Employee’s supplementary contribution</th>
<th>Employer’s supplementary contribution</th>
<th>Primary work</th>
<th>Contributions included</th>
<th>Tax on wage applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>a</td>
<td>b</td>
<td>c</td>
<td>d</td>
<td>e=(d*5%)</td>
<td>f=(d*5%)</td>
<td>g</td>
<td>h</td>
<td>i</td>
<td>j</td>
<td>k</td>
</tr>
</tbody>
</table>
Declaration and certificate issuance

- Any person who pays the wage is obliged to make the declaration and payment of the wage tax until the 15th day of the following month.
- Any person withholding tax on wages during a tax period, at the request of the recipient of the income, is obliged to provide the same with a withholding tax certificate in the form specified by TAK.
Withholding tax in payments for non-residents

- Income attributed to a nonresident in Kosovo, as an entertainer, such as; theatre, movable figures, radio and TV actors, a singer or a musician, or as an athlete, shall be subject to withholding tax from his payer.

- In addition, non-resident persons or entities with no permanent establishment in Kosovo are subject to withholding tax.

- Withholding rate is 5%.

- Exceptions to the above income, income generated by a non-resident person who is treated as employed in Kosovo is taxed according to Article 38 of the Law on PIT.
Withholding tax

- All business natural persons and legal persons who are required to withhold tax on their payments for wages and pensions, interest, royalties, rents, special categories and certain payments to non-residents, as defined in the Tax Legislation.
Withholding tax in payments for non-residents

- The request for withholding tax in income paid to non-residents is related to payments for services rendered in Kosovo.

- The withholding tax is not required in payments made to non-residents for goods or payments made to non-residents for services rendered outside Kosovo (for example, remotely provided computer support services from another country).
Personal income from business activities

- Gross income from economic activity shall mean gross receipts generated by a person or entity, except legal persons for purposes of this Law, engaged in such activities.

- Businesses with annual gross income > 50,000 €, or those who choose to be taxed according to books and records on real income, income should be reported in the tax period during which they have been received or accrued.

- Businesses with gross annual income < 50,000 € and less, will report their income from business activities in the tax period in which that income is actually or constructively received.
Income from rents

Other income from business activity is also income from rents. Gross income from rents includes:

- Income generated by renting immovable property such as buildings, land or apartments.
- Income generated by renting equipment, transport vehicles and other kinds of property.
- Income of rent generated by persons engaged in economic activities of renting movable or immovable property for clients, shall be treated as income from economic activities.
- The tax rate for rental income is 10%.
Income from intangible property

- Income from intangible property is a group of income from assets that have no physical form (they are not tangible). These types of assets relate mainly to rights. Any right to exploit the immovable property is intangible.

- Gross income from intangible property includes income generated by:
  - Patents
  - Copyrights,
  - Licenses
  - Franchises and other assets that consist only of rights and have no physical form.
Interest income

Income from interest includes:
- Interest from loans made to persons or entities;
- Interest from bonds or other securities issued by business organizations;
- Interest from (savings) accounts that bring interest, and are maintained in banks and other financial institutions.
Other income including gifts

- Income from gifts include:
  - Income from lottery wins or income from debt forgiveness.
  - Monetary gifts or gifts in things received by residents, if the value of such gift amounts exceeds € 5,000 in a tax period.

- In the group of incomes from gifts we have some incomes/gifts that are exempted from PIT such as:
  - Gifts (either monetary or things) given between spouses, a parent to their natural born, or legally adopted children, or from children to their parents are exempted from income regardless of the amount or value of the gift.
  - Gifts received for educational purposes are exempted from taxation as long as the gift is given in the form of tuition paid directly to an recognized educational institution.
Expenses in overview

- Generated expenses that are related to economic activity.
- Taxpayers are allowed to deduct expenses from gross income made entirely and exclusively for economic purposes as well as some limitations that will be explained below.
Allowable business expenses

- Deductions for expenses of real rentals or 10% of the gross rent
- Deductions for pension contributions
- Deductions for expenses related to the income on the use of intangible property
- Deductions for charitable contributions
- Loss carried forward
- Depreciation
- Amortization
- Other allowed deductions such as bad debts, representation expenses, research and development expenses.
Representation expenses

- Representation costs will be limited to one percent (1%) of gross annual income.
- Advertising and promotion expenses that are made through various forms of information, such as television, radio, newspapers, magazines, direct advertising, internet, posters, leaflets, billboards, transit and other similar advertising, are entirely deductible expenses for tax purposes.
Depreciation

- Each year, the assets partially lose their original value due to their physical or economic consumption. This loss of value, respectively the physical or economic consumption that these assets incur, is called **depreciation**.
## Depreciation categories

<table>
<thead>
<tr>
<th>Category 1</th>
<th>Construction buildings and other structures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 2</td>
<td>Automobiles and light trucks, heavy transport vehicles, earth transporting equipment, bulldozers, scrapers and other heavy vehicles, computers, peripherals and other devices for data processing, furniture and office equipment, instruments, sundries and other accessories, and livestock used for production or breeding.</td>
</tr>
<tr>
<td>Category 3</td>
<td>Plant and machinery; railway inventory and locomotives used for rail transport; airplanes; ships; perennial plants and trees used for viniculture or production of fruits such as apples, pears, walnuts, blueberries and other; and all tangible assets not included in Category 1 or Category 2.</td>
</tr>
</tbody>
</table>
Depreciation methods

**Linear method** - the entire depreciated property is assigned to one of the following categories:

- First category **5%**
- Second category **20%**
- Third category **10%**
Amortization

- Expenditure on intangible properties, which have a limited useful life including patents, copyrights, licenses for drawings and models, contracts and franchises are deductible in the form of mandatory amortization.

- Allowance is based on deadline of property use specified in the legal agreement governing the acquisition and use of the intangible property.
Tax loss

- Negative change between income generated by business and allowable expenses within the tax period.
- May be carried forward for up to 6 successive tax periods accumulated from year to year
- Maintaining the chronology of creating/deducting the loss
Rent expenses

- Deduction from gross rental income in an amount equal to ten percent (10%) of the accepted rents in order to cover the repair expenses, collection of payments and other expenses paid or incurred during the rent.
Special deductions for new assets

- If a taxpayer purchases manufacturing lines for plants and machinery, railway inventory and locomotives used for rail transport, airplanes, ships, heavy vehicles for transport, equipment for soil transportation, bulldozers, excavators and other heavy equipment for purposes of the economic activity of the taxpayer, a special deduction of ten percent (10%) of the acquisition price of the property is allowed in the year in which the property was for the first time put into service (cancellation of the transitional period).
Deductions allowed for charitable contributions

- Contributions given for the public interest (charitable contributions) are allowed as expenses up to a maximum of ten percent (10%) of the taxable income accounted for before this contribution is deducted.
- In addition to the 10% allowed deduction, taxpayers who will contribute to certain areas will have an additional allowance of up to 10% if provided for by specific laws in Kosovo.
- The allowable deduction does not include the contribution from which the donors or persons close to the donor benefit directly or indirectly;
Deductions allowed for charitable contributions

- Charitable contributions should be made for:
  - A non-governmental organization.
  - Any other organization that directly carries out non-profit activities which are of public interest, such as: Medical institutions; Educational Institutions; Environmental Protection Organizations; Religious institutions; Orphanages, etc.
Disallowed expenses

- Expenses of acquisition and improvement of land
- Expenses of assets that are depreciated and amortized
- Fines, penalties
- Corporate Income Tax
- The Value Added Tax for which the taxpayer requests deductions or crediting
- Any loss from the sale or exchange of assets between related persons if it is not in harmony with the Market Value
- Pension contributions over the maximum amount allowed by law
Disallowed expenses

- Expenses for presents, other than those with the name and logo of the business, which are part of the expenses of representation;

- Losses, damages, spillages and scarce during production, transport and storage, beyond the norms set forth in the special legal and sub-legal acts;

- Benefits in kind in the form of meals and transport tickets, except for cases when it is organized by business;

- Expenses covered by grants, subsidies and donations, in compliance with regulations and earning criteria.
Stock record

• Stock record for each taxpayer
• In or before 10 January of the coming year
• With the cost price and documentation on origin, and
  ▪ without VAT for VAT declarers
  ▪ with VAT for VAT non-declarers
Stock record

• The following methods are applicable:
  - Average price
  - FIFO (first in - first out)
  - HIFO (highest in - first out)
  - Except LIFO (last in-first out)

• Special request to change the method.
Treatment of insurance activities

• Insurance companies which pay 5% of gross premiums for the tax period
• Do not calculate Taxable Profit (TP)
• Expenses are not recognized
• Insurance stocks are not recognized
• In case of other special revenues calculate TP
Partnerships and grouping of persons

- Partnership stands for partnering of two or more persons for business purposes with equal rights and obligations in equity, profit and loss.
- Partnerships under the law are obliged to submit an annual declaration, which includes all revenues and expenses of the partners, without payment obligations.
- The partnership or grouping of persons is responsible for submitting declarations and making payments of all taxes for which the partnership or grouping of persons is liable for (such as VAT, Tax on wages, Pension Contributions, Withholding Tax, Tax on Rent, etc.).
Partnerships and grouping of persons

- Partnerships and grouping of persons, as well as individual partners of partnerships and members of groups, must maintain books and records in accordance with paragraph 4 of Article 33 of this Law and must pay obligatory income taxes in accordance with paragraph 2.2 of Article 43 of this Law.

- Partners can download one of the declarations according to the selected options (IL, QL, PD, CD).
Payment of tax for business activities

- Each taxpayer who receives or accrues income from business activities shall make quarterly payments of tax to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo no later than fifteen (15) days after the close of each calendar quarter (15 April, 15 July, 15 October, 15 January).
Taxpayers with annual gross income up to €50,000

- **Three percent (3%)** of each quarter’s gross income from trade, transport, agriculture and similar economic activities, but not less than €37.50 per quarter.

- **Nine percent (9%)** of each quarter’s gross income from services, professional, vocational, entertainment and similar activities, but not less than €37.50 per quarter.

- If a taxpayer has no income in a quarterly period, no payment shall be required, but the taxpayer must submit the quarterly installment declaration for the period with no tax obligation.
Taxpayers with income over €50,000

Advance payment installments

- There are criteria in place for submission of advance payment installments, namely:
  - First year of business
  - Second year of business, and onwards
Taxpayers with income over €50.000

First year of business

- (1/4) of the total tax liability for the following tax period based on estimated taxable income, deducted by any amount of tax withheld during the quarterly period;
- Payment in four installments, where with payment of the fourth installment covers 80% of the tax liability;
Taxpayers with income over €50,000

Second year of business, and onwards

The taxpayer can choose one of the options, as following:

- **1/4** of the total tax liability for the following tax period based on estimated taxable income and deducted by any amount of tax withheld during the quarterly period, or

- **110%** of the tax liability from the previous year deducted by any amount of tax withheld during the quarterly period.
Taxpayers with income over €50.000

Exceptions:

- The taxpayer who accrues a loss has no right to declare under the rules - the option 110% of the tax liability from the previous year but they must declare it as the first year of business.

- The taxpayer who is subject to tax audit, in which case the tax adjustment of that year occurs and the deviation does not exceed 20% of the amount declared by the taxpayer, then the exemption from penalty is applied, or in contrary the penalty is imposed.
Deadline for the declaration:

The deadline for payment of advance payment installment are up to every 15\textsuperscript{th} of the following month after each quarterly period, as following:

- **Q1/20XX**, from 01.04.20xx to 15.04.20xx
- **Q2/20XX**, from 01.07.20xx to 15.07.20xx
- **Q3/20XX**, from 01.10.20xx to 15.10.20xx
- **Q4/20XX**, from 01.01.20xx to 15.01.20xx

- The deadline for submitting the **Annual Declaration** on Personal Income Tax is from 01 January to 31 March of the following year of the tax period.
Functioning of Taxpayer Service Offices
Administrata Tatimore e Kosovës
Poreska Administracija Kosova
Tax Administration of Kosovo
Administrata Tatimore e Kosovës
Poreska Administracija Kosova
Tax Administration of Kosovo
Thank you for your attention!