Welcome to the seminar organized by TAK

May 2018
Withholding Tax on Wages and Pension Contributions
## Declaration and Payment of Tax on Wages and Pension Contributions

### Legal Basis

<table>
<thead>
<tr>
<th>Name of the Law</th>
<th>No. of the Law</th>
<th>No. of the Administrative Instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law on Personal Income Tax</td>
<td>No. 05/L-028</td>
<td>No. 01/2016</td>
</tr>
<tr>
<td>Law on Pension Funds of Kosovo</td>
<td>No. 04/L-168</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. 04/L-101</td>
<td></td>
</tr>
</tbody>
</table>
Who are the taxpayers of PIT?

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

- The object of taxation for a **resident** taxpayer shall be taxable income from Kosovo source income and foreign source income;

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

- Pursuant to Article 2, paragraph 1, sub-paragraph 1.6, sub-subparagraph 1.6.1 of the Law No.05/L-028 on Personal Income Tax, employer shall be a Public Authority;

- Article 9, paragraph 1, sub-paragraphs 1.2, 1.3, 1.4 of the law No. 05/L-028 on PIT, stipulates that income from wages shall include:
  - Bonuses, commissions, per diems and other forms of compensation that an employer or some other person, on behalf of the employer, pays to employee over and above salary;
  - Income from temporary work performed by an employee;
  - Income from prospective employment, such as signing a wage bonus; etc.

- The Public Authority, pursuant to Article 37 and 38 of the law No. 05/L-028 on Personal Income Tax, for payments to non-business natural persons who have an agreement, service or special services contract, as well as other similar agreements, are obliged to withhold tax on wages and pension contributions;
Taxable Income

- Taxable incomes for a taxable period are incomes that results from the difference between the gross incomes received or generated during the tax period and allowable deductions under the law on PIT relating to such gross incomes.
PIT tax rates

- Personal Income Tax are charged according to the following rates:

<table>
<thead>
<tr>
<th>Tax Rate</th>
<th>Monthly incomes in €</th>
<th>Annual incomes 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 and more</td>
<td>5,400 and more</td>
</tr>
</tbody>
</table>
Gross Incomes

- Wages
- Incomes from business activities
- Interest
- Rent payments
- Gains from games of chance
- Gains from copyrights
- Pensions
- Capital Gains
- Any other income that increases the taxpayer's net worth
Exempted income

- wages of foreign diplomatic and consular representatives and foreign personnel of Embassies and foreign Liaison Offices in Kosovo;
- wages of foreign representatives, foreign officials and foreign employees of international governmental organizations and international non-governmental organizations having registered in accordance with applicable legislation in Kosovo and 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 income (continuation)

- wages received by foreign and locally-recruited officials of the United Nations and its Specialized 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;
- reimbursement or 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 income (continuation)

- 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 the employee remains employed at the employer for at least twenty four (24) months after the education is finalized;
- scholarships received by an individual, provided that scholarship is paid directly to the institution;
- Training expenses.
Exempted income (continuation)

- 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 salary;
- Income **from temporary work** performed by an employee;
- Income from prospective employment, such as **signing a wage bonus**;
Income from wages (continuation)

- **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 by the Law on PIT, benefits in things given by an employer to an employee that exceed the minimum amount of over € 65.
Gross income from wages

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

- Reimbursement of actual business travel expenses which include transport, meal and accommodation for business travels;
- Transport – 16 cent per km within Kosovo, out of Kosovo there is no limit but only tickets, ready for inspection;
- Meal – € 15 per day and € 25 if staying overnight in Kosovo, while for travels abroad, in accordance with the Administrative Instruction (MPA) No. 2004/07;
- Accommodation – within Kosovo € 50, while abroad in accordance with the AI of MPA;
Gross income from wages shall not include:

- Indemnity for accidents at work;
- Contributions made by an employer on behalf of an employee;
- Gains in kind in form of meal;
- Gains in kind in form of tickets (>1 kilometres);
- Reimbursement for traveling to and from work (>20 kilometres);
Taxpayers on income from wages

- All individuals, resident and non-resident, who gain incomes from wages in Kosovo, shall be considered employed and are required to pay personal income tax from wages, except for foreign employees employed in organizations set forth in the Law on Personal Income Tax in Kosovo.
Steps to be taken for the application of PIT from wages

Employees contracts

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

- Kontratë pune për kohë të pacaktuar - caktuar.doc
Employee registration

- The employer, by declaring the monthly payroll list in the electronic format set forth by the Tax Administration of Kosovo, determines that the employee has selected him/her as the principle employer or not;

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

- **Wages** are usually paid once, twice or even more times per month.

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

- **Withholding tax at source** – occurs only when wages are actually paid.
Tax on wages

- The principal employer shall calculate (for each month to maintain source withholding tax on wages) 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 incomes</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 shall calculate (for each month to maintain withholding tax at source) and pay the tax, with only a maximum rate of 10%.
Declaration of Tax on Wages

- Declaration of Tax on Wages shall be performed only through the Electronic System - EDI, through the TAK's website.
- Payment of the Tax on Wages and Pensions shall be performed through the payment slip generated by the EDI System.
- Payment can be performed physically or through E-Banking, at one of the authorized banks / institutions in Kosovo.
- The tax shall be fully paid at the same time as it is withheld at source.
Pension Contributions

- The employer (both primary and secondary) shall contribute 5% to the gross salary of the employee on behalf of the employee.
- The employer shall also withhold at source 5% of the employee's gross salary, and pay them immediately in the form of pension contributions.
- Both the employer and the employee may voluntarily raise the amount of the contribution by 10%.
- The combined contribution, therefore, the percentage of the employee and employer, shall not be less than 10%, but also not greater than 30%.
Pension Contributions

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

<table>
<thead>
<tr>
<th></th>
<th>Gross wage</th>
<th>Employee’s contribution</th>
<th>Employer’s contribution</th>
<th>Total pension contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee “X”</strong></td>
<td>450.00</td>
<td>22.50 (5%)</td>
<td>22.50 (5%)</td>
<td>45.00</td>
</tr>
<tr>
<td>Gross wage</td>
<td>450.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kemployee’s contribution</td>
<td>22.50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxable wage</td>
<td>427.50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>C=B-A</td>
<td>D</td>
</tr>
<tr>
<td>G1</td>
<td>0.00</td>
<td>80.00</td>
<td>80.00</td>
<td>0%</td>
</tr>
<tr>
<td>G2</td>
<td>80.00</td>
<td>250.00</td>
<td>170.00</td>
<td>4%</td>
</tr>
<tr>
<td>G3</td>
<td>250.00</td>
<td>427.50</td>
<td>177.50</td>
<td>8%</td>
</tr>
<tr>
<td>Tax on wages G1+G2+G3</td>
<td>21.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Gross wage</th>
<th>Employee’s contribution</th>
<th>Employer’s contribution</th>
<th>Total pension contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee “Y”</strong></td>
<td>600.00</td>
<td>30.00 (5%)</td>
<td>30.00 (5%)</td>
<td>60.00</td>
</tr>
<tr>
<td>Gross wage</td>
<td>600.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kemployee’s contribution</td>
<td>30.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxable wage</td>
<td>570.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>A</td>
<td>B</td>
<td>C=B-A</td>
<td>D</td>
</tr>
<tr>
<td>G1</td>
<td>0.00</td>
<td>80.00</td>
<td>80.00</td>
<td>0%</td>
</tr>
<tr>
<td>G2</td>
<td>80.00</td>
<td>250.00</td>
<td>170.00</td>
<td>4%</td>
</tr>
<tr>
<td>G3</td>
<td>250.00</td>
<td>450.00</td>
<td>200.00</td>
<td>8%</td>
</tr>
<tr>
<td>G4</td>
<td>450.00</td>
<td>570.00</td>
<td>120.00</td>
<td>10%</td>
</tr>
<tr>
<td>Tax on wages G1+G2+G3+G4</td>
<td>34.80</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Monthly Wages Book

<table>
<thead>
<tr>
<th>Name</th>
<th>Surname</th>
<th>Individual number of the employee</th>
<th>Monthly Gross Wage</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 job</th>
<th>Contributions are included</th>
<th>Tax on Wage is 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 equipping with a certificate

- Any person who pays wages is obliged to make the declaration and payment of the tax on wage by the 15th day of the following month.
- Any person who maintains withholding tax on wages during a tax period, at the request of the recipient of the income, is obliged to equip the same with a withholding tax certificate in the form specified by TAK.
- Çertifikatë e Kontributit Pensional dhe Mbajtjes në Burimit të Tatimit në Paga.pdf
Withholding at source on payments to non-resident

- Income attributable to a non-resident of Kosovo as an entertainer, such as a theatre, motion picture, radio or television artist, a singer or musician, or as a sportsman shall be subject to withholding by the payer of that income.

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

- The amount of source withholding shall be **5%**

- With the exception of the above income, income generated by a non-resident person who is treated as employed in Kosovo shall be taxed according to Article 38 of the Law on PIT.
Source withholding on payments to non-resident

- The requirement to source withholding tax on incomes paid to non-resident is related to payments for services carried out in Kosovo.

- Source withholding tax on payments made to non-residents for goods or on payments made to non-residents for services carried out outside Kosovo (for example, computer support services remotely provided from another country) is not required.

- [Certificate of source withholding tax on interest, property rights, rent and non-resident.pdf](#)
Declaration and Payment of Tax on Wages and Pension Contribution through the Electronic System - EDI
Registering

Steps to access EDI (efiling)

1. Go to the official website of TAK at the address: www.atk-ks.org.
Registering

2. If you do not already have an account in EDI (efiling), enter your Fiscal Number in the **Username** section and click on the link: **Register**
Registering

3. Fill out the required information in the following window:

The password will be sent within a few minutes via e-mail
What if you forgot your password?

4. If you forgot your password:

After you click “Reset”, fill out the following information:
What if you forgot your password?

5. After you click “Reset”, fill out the following information:

The reset password will be sent to you via email.
How to change e-mail address?

6. To change e-mail address:

Once you click “click here”, the following information will be shown:
How to change e-mail address?

6. To change e-mail address:

I ndenuar Tatinpagues

Për të ndryshuar email adresën tuaj ju duhet të ndiqni udhëzimet si më poshtë:

- Të bëni kërkesën online përmes EDI-it
- Të vizitoni Zyrën e Shërbimit dhe Edukimit të Tatinpaguesve
- Në spорtet duhet të prezantoni kopjen e lejënjëshortimit, si dhe autorizimin nëse nuk jeni pronari i biznesit

Për të bërë kërkesën online përmes EDI-it klikoni këtë
Log in to EDI (efiling) system

On the left of the screen, under the heading “Electronic Services”, click on “efiling” that is the first in the list. The window that serves to access the electronic tax declaration system will appear on the screen.
EDI (efiling) System

Enter your Fiscal Number, the password received from TAK, write captcha and click “sign in” to access the efiling page.
Tax declaration

There are five options at the top of the page: (i) Declaration, (ii) Reports, (iii) Your profile, (iv) Help and (v) Contact.
Tax declaration

Click on **Tax declaration** to file the tax:
Declaration of Tax on Wages and Pensions

Step 1.

Go to the first tab named *Declarations* and click on *Tax Declaration* and choose WM form
Declaration of Tax on Wages and Pensions

Step 2.

Once you have selected the **WM** form, click **Declare** and the following window opens:

Click on **Download sample** and save the downloaded file to your computer.
Declaration of Tax on Wages and Pensions

Fill out the same document by following the instructions below:

<table>
<thead>
<tr>
<th>Name</th>
<th>Surname</th>
<th>Individual employee number</th>
<th>Gross salary per month</th>
<th>Employee pension contribution</th>
<th>Employer pension contribution</th>
<th>Supplementary employee contribution</th>
<th>Primary job</th>
<th>Contributions included</th>
<th>Payroll Tax 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>
</tr>
</tbody>
</table>

- Enter the name of the employee
- Enter the surname of the employee
- Enter the individual employee number
- Enter the employee’s gross salary
- Calculate the employee's pension contribution by multiplying the gross salary with the contribution of 5% - 15%
- Calculate the employer's pension contribution by multiplying the gross salary with the contribution of 5% - 15%
- Enter the supplementary pension contribution of the employee
- Enter the supplementary pension contribution of the employer
- Click YES if the employee in question has declared you as primary employer, click NO if this employee has declared you as secondary employer.
- Click NO only when the employee is not obliged to pay pension contributions (i.e. non-residents and retired). In other cases, click YES.
- Click NO only when the employee is not obliged to pay payroll tax (i.e. the employee is with special needs). In other cases, click YES.
Declaration of Tax on Wages and Pensions

This document contains the list of your employees and is known as the payroll list. Save the same on your computer and go back to the electronic declaration page, continuing further with the step 2.

Once you click **Browse**, a new window will open:
Declaration of Tax on Wages and Pensions

If you have any errors in your data, checkpoints will inform you about the error found and the possibility of immediate correction.

Possible errors that the system identifies are:

- Contributions
- Empty IDs
- Duplicate IDs
- Erroneous IDs
- Retirement
- Erroneous names
Declaration of Tax on Wages and Pensions

After you click Browse and upload the Payment List, the system will verify your data and if all the security steps are complete, the Declaration will be enabled.

If you consider that this review is correct, click Continue. Otherwise, click Cancel and access the system from the beginning.

Once you click Continue, you will be able to generate the Payment Slip.
Tax Declaration

You should click again the Declare button and at the moment the declaration is correct, the system informs you that your declaration has been successfully completed and provides the option to print the payment slip:
Generating the Payment Slip

Once you click the button to print the payment slip, you will receive the payment slip for Tax on Wages and Pension Contributions.
Generating the Payment Slip

Once you click the button to print the payment slip, you will receive the payment slip for Tax on Wages and Pension Contributions.
Tax payment

Proceed to the Bank to make the payment or use E-Banking instead. If the payment slip has no payment obligation, it is not required to be sent to either the Bank or TAK, as the filing has been received earlier.
Online tax payment

If you want to make online payments, you should choose the option as indicated below:
Online tax payment

Once you click “Online Tax Payment”, the window as shown below will be opened. Then select the Bank and make the filing.
Thank you for your attention!