

LAW NO.06/L-105**ON CORPORATE INCOME TAX**

The Assembly of the Republic of Kosovo,

Based on Article 65 (1) of the Constitution of the Republic of Kosovo,

Approves:

LAW ON CORPORATE INCOME TAX**CHAPTER I
GENERAL PROVISIONS****Article 1
Purpose**

This Law establishes and regulates the system of Corporate Income Tax in the territory of Republic of Kosovo

**Article 2
The scope**

The provisions of this Law are mandatory to the Tax Administration of Kosovo (hereinafter TAK) and to all persons under the scope of this law.

**Article 3
Definitions**

1. For the purposes of this Law the following definitions shall have this meaning:

1.1. Capital Assets – includes:

1.1.1. tangible and intangible property costing more than one thousand (1,000€) euro, with a useful service life of more than one (1) year;

1.1.2. property, with a value of up to one thousand (€ 1,000) euro which cannot function as a standalone, shall be treated as capital property, if the value of the property is more than one thousand (1,000€) euro.

1.2. **Entities** – A corporation or other business organization that has the status of a legal person, a business organization operating with public and socially owned properties, a non-governmental organization registered based on the legislation for registration and operation of non-governmental organizations in Kosovo and the permanent unit of a non-resident person;

1.3. **Corporation** - a legal person, which has an identity that is separate and distinct from its members, owners or shareholders. A business organization, the capital of which is divided into a specified number of shares of the same par value. Shareholders are not liable for the obligations of the corporation. A corporation may be either a joint stock company or a limited liability company, which is so indicated in its economic charter or company name;

1.4. **Dividend** - a distribution made by a company to a shareholder, as following:

1.4.1. of cash or shares with respect to the shareholder's equity interest in the company; and

1.4.2. of property other than cash or shares, unless the distribution is made as a result of liquidation;

1.5. **Economic activity** - any activity of producers, traders or persons supplying goods or services including mining and agricultural activities and activities of the professions. The exploitation of tangible or intangible property for the purposes of obtaining income therefrom on a continuing basis shall in particular be regarded as an economic activity;

1.6. **Financial statement** - financial statements prepared in accordance with relevant legislation for accounting, financial reporting and auditing;

1.7. **Kosovo Source Income** - means gross income that arises in Kosovo;

1.8. **Foreign source income** - gross income that is not Kosovo source income;

1.9. **Gross Income** - all income received or accrued, including among others, income from production, trade, financial, investment, professional or other economic activities;

1.10. **Tangible property** – cash, equipment, machinery, plant, property - anything that has long-term physical existence or is acquired for use in the operations of the business and not for sale to customers. In the balance sheet of the business, such assets are generally listed under the heading 'Plant and equipment' or 'Plant, property, and equipment';

1.11. **Intangible property** - patents, copyrights, licenses, franchises, and other property that consists of rights only, but that have no physical form;

1.12. **Open Market value** – the full amount that a customer would have to pay at the same market stage for the supply of goods or services under the conditions of a fair competition, to a supplier under the dominance of the market within Kosovo where the supply is made, in order to obtain the goods or services in question at that time. When comparison to the supply of goods and services cannot be ensured, the open market value shall mean as follows:

1.12.1. in relation to goods, an amount that is not lower than the purchase price of goods or similar goods, or in the absence of a purchase price, the price of costs determined at the time of the supply;

1.12.2. in relation to services, an amount that is not lower than the full costs of the taxable persons that provides such services.

1.13. **Resident** - shall mean:

1.13.1 A natural person who has its residency in Kosovo, or is physically present in Kosovo for more than one-hundred and eighty three (183) days in Kosovo within any period of twelve (12) months; or

1.13.2 an entity, personal business enterprise, partnership or joint stock of persons established in Kosovo;

1.14. **Non-resident** – any person or entity that is not resident in Kosovo;

1.15. **Permanent Establishment** - a non-resident person, which is subject to Corporate Income Tax in Kosovo, as described under Article 30 of this Law;

1.16. **Person** – includes:

1.16.1. **Natural person** - is considered;

1.16.1.1. a non-business natural persons (that does not have a registered business activity); and

1.16.1.2. a business natural persons (that has a business registered under the applicable legislation and conducts regular business activities).

1.16.2. **Legal person** - a business organization established pursuant to respective legislation for business organization, and other persons established under this legislation, which exercises profit activities in the Republic of Kosovo, or other person established or recognized as such by a special law;

1.16.3. **Partnership** – includes:

1.16.3.1. a general or limited partnership, or created via similar agreements, which does not represent a legal entity, and which proportionally shares parts of capital, income and losses among partners; and

1.16.3.2. a group or association of persons, including consortiums, but excluding partnerships, established for the joint purpose of a special economic activity. The association shall be comprised of two or more individuals, companies, organizations or governments, or any combination of such entities with the purpose of participation in a venture activity, or a pooling of resources toward achieving the same goal. Each participant shall retain its separate legal status and control of the association by any participant shall be generally limited to activities that relate to the joint venture, particularly the sharing of profits. The association is established by virtue of a contract that determines the rights and obligations of each member.

1.17. **Public authority** - a central, local authority, public body, or other authority that exercises public executive, legislative, regulatory, administrative or judicial power;

1.18. **Related persons**- persons that have a special relationship that may materially influence the economic outcomes of transactions between them. Persons shall be considered to have a special relationship if:

1.18.1. they are officers or directors of one another's business;

1.18.2. are legal partners in business;

1.18.3. they are in an employer-employee relationship;

1.18.4. one person holds or controls fifty percent (50%) or more of the shares or voting rights in the other legal entity;

1.18.5. one person directly or indirectly controls the other person;

1.18.6. both persons are directly or indirectly controlled by a third person;

1.18.7. when these persons are relatives of the first, second or third line, as specified by the Law on Inheritance of Kosovo;

1.18.8. when these persons are members of the same group of a multi-national company, meaning that each parent company, branch and sub-branch are related.

1.19. **Tax period** – the calendar year or any other reporting period provided in this Law;

1.20. **Immovable property** - for tax purposes, all land and establishments and structures below or above the land surface and connected to the land, including property which is accessory to immovable property; rights to which the provisions of general Law respecting landed property apply; usufruct of immovable property; and rights to variable or fixed payments as consideration for the work or right to work, mineral deposits, sources and other natural resources;

1.21. **Royalty** - payment of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic, or scientific work including cinematograph films, and patents, trade mark, design or model plan, secret formula or process, or for information concerning industrial, commercial or scientific experience;

1.22. **Supplier** – in terms of financial leasing, shall be the person who based on the supply contract entered with the lessor of the asset selected by the lessee, in accordance with the determinations of the lessee and conditions approved by him, based on which the lessor assumes the right of ownership over the asset, sells the lessor the asset leased to the lessee;

1.23. **Religion community** – foreseen under the Law on Religious Freedom in Kosovo;

1.24. **Operating Leasing** – any leasing that is not a financial leasing;

1.25. **Financial Leasing** - a leasing that substantially transfers all the risks and rewards of the incident to ownership of an item of property. Title may or may not be transferred at the end of the leasing;

1.26. **Subcontractor** - any person performing a part of a comprehensive project which has been undertaken by a prime contractor. The subcontractor is directly engaged in the execution and realization of the comprehensive project and acts on behalf of the prime contractor. The period spent by a subcontractor working on a comprehensive project is considered as being time spent by a prime contractor on the project;

1.27. **Prime Contractor/Contractor** – any business, whether an organization or individual, which has agreed to carry out operations under any legal binding document signed by the beneficiary, either by doing the operations itself or by arranging them to be done by others;

1.28. **Technical provisions** - amounts determined on the basis of the accruant methods that are held by the insurer to cover the responsibilities arising from the non-life insurance contracts;

1.29. **Mathematical Provision** - the amounts determined on the basis of the accruant methods that are held by the insurer to cover the responsibilities arising from life insurance contracts;

1.30. **Provisions for expected losses on loans** - costs incurred for expected loss on loans determined by the applicable legislation;

1.31. **Transfer pricing** - shall mean the setting of price for goods and services sold via persons related to one another within a multi-entity group of an enterprise;

1.32. **Controlled transaction**—shall mean any transaction between related persons;

1.33. **Minister** - Minister of Finances;

1.34. **Consideration** – any action or act of waiver related to the supply of goods and services, and/or should include any amount that is payable or goods or services received through the barter transaction.

Article 4 Taxpayers

1. The following persons shall be taxpayers under the present Law:

1.1. a corporation or other business enterprise that has the status of a legal person under the applicable Law 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 relevant legislation governing the Registration and Operation of Non-Governmental Organizations (NGO) in Kosovo.

1.4. a non-resident person with a permanent unit in Kosovo, subject to paragraph 2. of the Article 5 of this law.

Article 5 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 sources.

Article 6 Taxable Income

1. Taxable income for a taxable period shall mean the difference between gross income received or accrued during the tax period and the allowable deductions under this law.

2. The following are excluded from paragraph 1. of this Article:

2.1. taxable income from long-term construction projects and contracts;

2.2. taxable income from operational and financial leasing;

2.3. gross interest income, that include:

2.3.1. interests from loans awarded to persons or entities;

2.3.2. interest from bonds or securities issued by business organizations;

2.3.3. interest from accounts (savings accounts) that generate interest and which are held in banks and other financial institutions;

3. In the case of a taxpayer who is not taxed in real income, the taxable income is considered as gross income.

4. Gross interest income under sub-paragraph 2.3. of this Article shall not include interest from Kosovo Pension Saving Trust, or any other pension fund defined by the relevant legislation on pension savings in Kosovo.

5. The reporting of income pursuant to sub-paragraphs 2.1. and 2.2. and 2.3. of this Article shall be regulated by means of a bylaw issued by the Minister.

Article 7 Tax Rate

The corporate income tax rate shall be ten percent (10%) of taxable income.

CHAPTER II EXEMPTED INCOMES

Article 8 Exempted Incomes

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

1.1. with exception of cases provided under Article 34 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 public benefit purposes;

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

1.3. interest on financial instruments which are issued, or guaranteed, by a public authority of Kosovo paid out to resident or non-resident taxpayers;

1.4. income of religious communities under the Law on Religious Freedom in Kosovo;

1.5. income of prime contractors or subcontractors, other than a local person, generated from contracts for the supply of goods or services to the United Nations, the Specialized Agencies of the United Nations, KFOR and the International Atomic Energy Agency under the condition that they are directly engaged in projects and programs of the organizations mentioned above;

1.6. income of a prime contractor or a subcontractor but other than a local person, generated from contracts with foreign governments, their organs and agencies, the European Union, the Specialized Agencies of the European Union; the World Bank, the International Monetary Fund and international inter-governmental organizations for the supply of goods or services in support of programs and projects for Kosovo;

1.7. income received from grants, subsidies and donations in accordance with the rules and conditions for benefiting;

1.8. dividend paid or received for resident and non-resident person.

2. The international inter-governmental organizations shall be determined in a sub-legal act issued by the Minister

3. Tax breaks and other special facilities for businesses presenting new projects and investments are defined by sub-legal act issued by the Minister.

CHAPTER III EXPENDITURES

Article 9 Disallowed Expenses

1. While determining taxable income, the following expenses are disallowed:

- 1.1. cost of acquisition and improvement of land;
- 1.2. cost of improvement, renovation and reconstruction of assets that are capitalized and depreciated shall not be recognized as an expenditure of this period, but shall rather be handled in accordance with Article 19 of this Law;
- 1.3. fines, penalties, costs interest imposed by a public authority and expenditures related to them;
- 1.4. income taxes paid or accrued for the current or previous tax period and any interest or late penalty incurred for late payment of it;
- 1.5. value added tax for which the taxpayer claims a rebate or credit for input tax under legislation on Value Added Tax;
- 1.6. tax loss from transactions between related persons, with the exception of cases when in compliance with the open market value;
- 1.7. pension contributions above the maximum amount allowed by the relevant Kosovo pension Law;
- 1.8. expenses on gifts, except those containing the name and logo of the business organization, which fall under representation expenses;
- 1.9. losses in specific weight or material, damages, remains, surpluses, destruction or breakings during production, transport, storing, and displaying, beyond the norms set out with relevant legal and sub-legal acts;
- 1.10. gains in kind such as meals and transport, except in cases when organized by the business organization;
- 1.11. expenses for renting apartments, used for accommodation of resident and non-resident employees, depending from the employment or service contract;
- 1.12. expenses covered by grants, subsidies and donations, in accordance with the rules and conditions of their benefiting;
- 1.13. expenses for entertainment and recreation, except if they occurred as a result of the taxpayer's business of providing entertainment and recreation activities.

Article 10

Eligible expenses

1. Subject to the limitations in this Law, in determining taxable income, a taxpayer shall be allowed a deduction from gross income expenses paid or incurred during the tax period wholly and exclusively in connection with its economic activities, including premiums paid on the health insurance on behalf of an employee and those dependents eligible to be included in the policy of the employee.
2. Educational expenses paid by an employer to an educational institution for an employee shall be allowable in full in the year in which such expenses are paid, provided that:
 - 2.1. education expenses are paid directly to the educational institution;
 - 2.2. the educational institution is recognized by respective legislation in force in Kosovo;
 - 2.3. the education is relevant to the employee's position and does not qualify that employee for work in a different occupation; and
 - 2.4. the employee remains in employment of the employer after completion of education for which the expenses were paid by the employer for a period of time to be specified in a sub- legal act issued by the Minister.
3. Training expenses paid by an employer for an employee relating to the job, shall be allowed throughout the year within which such training expenditures have occurred.
4. If a taxpayer, other than a taxpayer engaged in the business of leasing movable or immovable property, opts to not maintain records of actual expenses paid or incurred in the rental activity, such taxpayer shall be allowed a deduction from gross rental income in an amount equal to ten percent (10%) of the rents received in order to account for depreciation allowances and cover the costs of repairs, collection charges, and other expenses paid or incurred in generating the rental income.
5. No deduction shall be allowed for any accrued expense based on a withholding obligation unless such expense is paid on or before 31 March of the subsequent tax period. Any expense not allowed by this paragraph shall be deductible in the tax period in which it is actually paid.
6. The Minister shall issue a sub legal act on documented expenditures incurred from custom assessments and reassessments
7. Expenses, including depreciation expenses, related to operating leasing and financial leasing shall be reported in the manner prescribed in a sub-legal act to be issued by the Minister.
8. No deduction shall be allowed for any expense unless those documented in the manner required by a sub-legal act issued by the Minister.

Article 11

Deductions allowed for public interest activities

1. Contributions made by taxpayers who keep the books and records pursuant to paragraph 5. of Article 35 of this Law, in the form of a donation and sponsorship for humanitarian, health, education, religious, scientific, cultural, environmental protection and sports purposes under this Law are considered as contribution paid for public interest and are allowed as expenditures up to a maximum of ten percent (10%) of taxable income computed before the charitable contributions are deducted.

- 1.1. contributions paid by taxpayers in the field of culture, youth and sports, shall be

calculated according to the Law No.05/L-090 on Sponsorship in the Field of Culture, Youth and Sports.

2. An allowable contribution under paragraph 1. of this Article must be made to:

2.1. an organization registered under relevant applicable legislation on the Establishment and Operation of Non- Governmental Organizations that has received and maintained public benefit status;

2.2. any other organizations that directly perform activities in the public interest, 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, or indirectly, benefits the donor or related persons of the donor.

4. Any taxpayer who claims an allowable deduction must submit a receipt in respect of such deduction to the Tax Administration of Kosovo.

5. In addition to the deduction allowed under paragraph 1. of this Article, taxpayers who contribute to certain areas will have a special deduction allowed up to ten percent (10%) if provided for by specific laws in Kosovo.

6. The Minister shall issue a sub-legal act for implementation of this Article.

Article 12

Representation, advertisement and economic promotion expenses

1. The representation expenses include expenses of general character that a business person incurred for the purpose of a presentation in relation to its partners or other institutions, such as: organizing meetings, presenting new projects, inaugurating new lines or products, treats and hosting related to the business activity.

2. Representation expense is limited to one percent (1%) of gross annual income.

3. Advertising and promotion expenses conducted in different information outlets such as: television, radio, newspapers, magazines, direct advertisement, internet, posters, leaflets, billboards, transit advertisements and similar, are fully deductible expenditures for tax purposes.

Article 13

Bad Debts expenses

1. A bad debt shall be considered an expense if it meets these conditions:

- 1.1. the payment has not been fully or partially received and is considered as uncollectable, thereby initiating procedures before judicial bodies;
 - 1.2. at least six (6) months of the debt have exceeded from the term of payment obligation;
 - 1.3. the amount corresponding to the debt has been earlier included as income in the accounting books;
 - 1.4. there is no dispute of the legal validity of the debt;
 - 1.5. there is adequate evidence of substantial attempts made by the taxpayer to collect the debt, including any applicable actions to maximize collection of the debt, such as:
 - 1.5.1. taxpayer has balanced any undisputed against the bad debt;
 - 1.5.2. correspondence and contacts attempting to collect the debt;
 - 1.5.3. the claim was filed in a bankruptcy/liquidation proceeding, if applicable, and the amount to be received has reasonably been determined by the administrator/executor, and to the extent that money received from bankruptcy has been applied to the outstanding debt.
 - 1.6. the taxpayer issues an invoice on the uncollected amount containing the phrase "Bad Debt" and the number of the invoice, to which the debt is related, whereby the invoice can be used by the seller to reduce the income and the purchaser to reduce the expenses (costs).
 - 1.7. for the amount up to five hundred (500) Euros, treated as bad debt, it is not required to initiate judicial procedures.
2. Bad debt deductions are limited to the non-recovered portion of the debt. Any bad debt deducted as an expense and then subsequently collected shall be included in the taxpayer income at the time of collection.
3. The uncollected amount shall not be considered as bad debt, if:
- 3.1. if transaction with the same debtor have been repeated after the proclamation of bad debt, with the exclusion of public services;
 - 3.2. bad debt exists between related parties;
 - 3.3. there is no sufficient evidence proving that substantial efforts have been done to collect the debt, including all applicable actions to maximise debt collection;
 - 3.4. the procedures for declaring bad debt were not initiated within twenty four (24) months from the date of the payment obligation.
4. The Minister shall issue a sub-legal act to describe the requirements for the deduction of bad debt as foreseen in this Article.

Article 14

Provisions for expected losses on loans, technical and mathematical provisions

1. Provisions for expected losses are not allowed as deductible expenses in the determination of taxable income, except as provided in paragraphs 2. and 3. of this Article.

2. Banks, microfinance institutions and non-bank financial institutions licensed by the CBK for the determination of taxable income shall be entitled to recognize deductible expenses the provision for expected losses from loans up to eighty percent (80%) of the amount determined by a sub-legal act issued by the CBK.
3. Financial insurance and reinsurance institutions licensed by the CBK, in determining the taxable income, shall be entitled to recognize the deductible expenses for technical and mathematical reserves up to eighty percent (80%) of the amount determined by the Law on Insurances and sub-legal acts issued by the CBK.
4. After recognizing the provisions under paragraph 2. of this Article, any amount deducted from the collection of provisioned loans shall be included in taxable income, and any amount increased up to the allowable amount shall be recognized as a deductible expense.
5. After the recognition of technical and mathematical provisions under paragraph 3. of this Article, any amount deducted from provisions is included in taxable income, and any amount increased in provision up to the allowable amount is recognized as deductible expense.
6. If the CBK requires correction of the provisions declared under paragraphs 2. and 3. of this Article, such changes shall be regulated in the tax declaration.
7. The Minister shall issue a sub-legal act for the implementation of this Article.

Article 15 **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 open market value.
2. Interest, rent, and other expenses paid to related persons shall be allowed as an expense in an amount equal to the minimum actual payment or the open market value.

Article 16 **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 compensated 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 compensated 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 this Article shall be classified in one of the following categories:
 - 3.1. Category 1: Buildings and other constructed structures;
 - 3.2. Category 2: Automobiles and light trucks, heavy transport vehicles, earth moving equipment, bulldozers, scrapers and other heavy vehicles, computers, peripherals and other data processing equipment, office furniture and office equipment, instruments, sundries and other accessories; and livestock used for production or breeding;
 - 3.3. Category 3: Plant and machinery; rolling stock and locomotives used for rail transport; airplanes; ships; perennial plants and trees used for viticulture or production

of fruits and all other tangible assets not included in Category 1 or Category 2 of this paragraph.

4. The amount allowed as a depreciation deduction for the tax period shall be determined by applying the following percentages individually to the tangible individual property under the straight line method at the end of the tax period according to the category to which the asset belongs:

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

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

4.3. Category 3: ten percent (10%).

5. An asset, for depreciation purposes, shall be taken into account when it is first put into service.

6. The initial amount to be depreciated shall be the purchase price or, in the absence of a purchase price, the cost price. The initial amount shall also include:

6.1. tax duties, levies and charges, and interest charged to this asset prior to being placed into service;

6.2. incidental expenses such as commission, packing, transport, and insurance costs charged by the supplier.

7. Purchase of an asset for a price of up to one thousand (1,000) Euro shall be allowed as a current expense, except when the assets operates as part of an asset pool and the value of its entirety is over one thousand (1,000) Euros, and the deadline is over one (1) year.

Article 17

Depreciation of biological assets

1. Depreciation of biological assets is allowed only if such assets have been used in the course of economic activity of the agricultural entity.

2. Depreciation of biological assets under paragraph 1. of this Article shall be regulated by a sub-legal act issued by the Minister.

Article 18

Special allowances for new assets

1. If a taxpayer purchases production lines for plant and machinery, railway inventory and locomotives used for railway transportation, airplanes, ships, heavy transport vehicles, earth moving equipment, bulldozers, scrapers and other heavy vehicles for the purpose of the taxpayer's economic activity, in addition to the normal allowable depreciation, a special deduction of ten percent (10%) of the cost of the asset acquisition shall be allowed in the year in which the asset has been first placed into service.

2. 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 or outside Kosovo.

3. Other special deductions shall be granted only if so foreseen by a special law.

4. The deduction under paragraph 1. of this Article shall not be permitted for persons benefiting under Article 8, paragraph 3. of this Law.

Article 19

Repairs and Improvements

1. In the case of any depreciable asset, the amounts spent for repairs or improvements, excluding day-to-day maintenance repairs, shall be capitalized and added to the basis of the asset and if the repairs or improvements extend the lifespan of the asset for at least one (1) year and the amount of repair or improvement is greater than one thousand (1,000€) Euros for that asset. If the repair or improvement is one thousand (1,000€) Euros or less for any asset, the amount of the repair or improvement shall be an expense in the year paid or accrued.
2. If the repairs or improvements meet the criteria for capitalization pursuant to paragraph 1. of this Article, the amount shall be capitalized and added to the remaining account value of the capital asset. The new book value of the asset will be used as the basis for depreciating the asset. The asset will be depreciated in accordance with the rules of the applicable category.
3. The Minister shall issue a sub legal act for implementation of this Article.

Article 20

Amortization

1. Expenditures on intangible assets that have a limited useful life including patents, copyrights, licenses for drawings and models, contracts and exclusive rights 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 on the acquisition and use of the intangible asset.
3. In cases when the assets useful life is not determined, the amortization expenditures shall be allowed for a period of twenty (20) years.

Article 21

Research and development expenses

1. Research 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 research 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 which represents the units extracted from the natural deposit during the year; and
 - 2.2. the denominator which represents 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 paragraph 2. of this Article, shall be determined in accordance with instructions on such assessments to be set out in a sub legal issued by the Minister.

CHAPTER IV CAPITAL GAINS AND LOSSES, BUSINESS LOSSES

Article 22 Capital Gains and Losses

1. Capital gain means income that a taxpayer realizes through the sale or other forms of disposition of capital assets including movable, immovable assets 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 5. of this Article.
3. The sales price of a capital asset shall be the sum of any amount received, plus any other compensation received, as consideration for the sale.
4. If the parties are related persons and the sales price is less than the open market value, then, for purposes of the present Article, the sales price shall be adjusted to the open market value in the manner prescribed in a sub-legal act issued by the Minister.
5. The cost of the capital asset is the amount that the taxpayer paid for the acquisition of the asset, increased by the cost of improvements, and reduced by depreciation and other expenditures allowable under this Law.
6. Capital gains shall be recognized as business income and capital losses as business losses, unless otherwise provided by this Law.
7. Capital loss means the loss incurred by the taxpayer from the sale or any other form of alienation of capital property, including movable property, real estate and securities
8. The amount of capital loss is the negative difference between the sales price of the capital asset per paragraph 3. or 4. of this Article and the cost of the capital asset as determined under paragraph 5. of this Article.
9. Capital losses shall be treated as ordinary losses from economic activities. The provisions of Article 24 of this Law shall apply to the losses described in this paragraph.
10. Gross income from capital gains do not include capital gains realized from the sale of the assets of Kosovo Pension Savings Fund or any other pension fund defined under legislation on pensions in Kosovo.
11. A capital gain shall not be recognized on the involuntary conversion of assets to the extent that the consideration received from the conversion that 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.
12. If a sale of a capital asset involves an instalment agreement that lasts more than the tax period in which the sale is finalized, where all applicable documents are signed by all parties and the sales agreement is legally enforceable, any gain must be reported on a straight-line basis over the life of the instalment agreement and the amount of gain attributable to any tax period must be reported on the tax declaration as income in that tax period. Further provisions related to instalment sales shall be described in a sub- legal act issued by the Minister.

Article 23 Involuntary Conversions

1. A capital gain shall not be recognized in the case of involuntary conversion of property if 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.

2. Capital gain under paragraph 1. of this Article shall be determined by a sub legal act issued by the minister.

Article 24 Tax Losses

1. A tax loss is the negative difference between the allowed income and expenses determined in accordance with this law.

2. The amount of the tax loss determined under this Article may be transferred for up to four (4) successive tax periods and shall be available as a deduction against any income in those years.

3. The amount transferred taken into account for any tax period after the year of the tax 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 tax loss in more than one (1) year, this Article shall be applied to the losses in the order in which they arose.

5. Except as provided in Article 27 of this Law, the provisions of this Article shall be allowable only to the business which incurred the loss. If the business changes its type of business organization or has an ownership change of more than fifty percent (50%), the transfer will no longer be applicable.

6. The Minister shall issue a sub legal act to regulate the transfer provisions related to changes in types of business organizations or ownership change, as well as any other loss transfer provisions necessary for implementation of this Article.

CHAPTER V LIQUIDATION AND REORGANIZATION

Article 25 Distribution of Property

1. A company that distributes property other than shares to a shareholder, taking into account the shareholder's interest, shall recognize a gain or a loss as if such property had been sold to such shareholder at open market value.

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

3. In the case of a distribution of shares dividends that do 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 26 Liquidation

1. In case a company is liquidated in accordance with applicable legislation in Kosovo, the company shall take into account any gain or loss as if it had sold the property distributed in the liquidation at its open market value.

2. Unless otherwise provided in this Law, the recipients of property distributed in liquidation shall

be treated as if they exchanged the interest of the remaining value in the liquidated company for an amount equal to the open 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 27 Reorganization

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

2. In the case of reorganization, the value of the property held by the reorganized taxpayer shall be determined based on the acquisition value of such property upon reorganization.

3. During reorganization, the fair distribution of shareholder's equity interest shall not constitute taxable income to the shareholder.

4. Except as otherwise established in a sub-legal act issued by the Minister, 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. Loss carry forwards are allowable to the acquiring taxpayer only if provided in the plan of reorganization and approved by the Tax Administration according to the provisions established in the sub-legal act referred to in this paragraph of this Article.

CHAPTER VI TRANSFER OF PRICES, AVOIDANCE OF DOUBLE TAXATION

Article 28 Transfer of Prices

1. A taxpayer that is subject to corporate income taxation and who participates in one or more controlled transactions shall determine the taxable profit in accordance with the open market value for transfer prices.

2. Open market value for the purpose of price transfer – the market principle - shall mean the principle when such conditions have been created or established between two enterprises, in trade or financial relations, which differ from those that would have been created between independent enterprises, whereby any profit under such conditions that would have resulted in any of the enterprises, because of such conditions has not been generated, shall be eligible to be included in the profits of the enterprise and taxed in accordance to such profit.

3. The following methods are used for setting the transfer price:

3.1. the following traditional transaction methods:

3.1.1. the comparable uncontrolled price method;

3.1.2. the resale price method; and

3.1.3. Cost Plus Method.

3.2. the taxpayer may, under specific circumstances, make use of traditional profit methods as follows:

3.2.1. transaction net margin method, and

3.2.2. profit split method.

4. For the purpose of this Article, the open market value is determined based on most suitable comparable method, selected by taking into account the following criteria:

4.1. respective strengths and weaknesses of recognized transfer price methods;

4.2. the adequacy of a known transfer pricing method in the function of a controlled transaction nature, determined particularly via an analysis of functions performed by each taxpayer in the regulated transaction, taking into account the assets used and the risks assumed;

4.3. availability of reliable information required for implementation of the chosen transfer price method and/or other methods; and

4.4. degree of comparability between controlled and uncontrolled transactions, including the reliability of comparability adjustments, if any, that may be required to eliminate differences between them.

5. All taxpayers that have controlled transactions are required to prepare the transfer pricing documentation. The transfer price documentation is submitted only upon TAK's request.

6. Relevant adjustments - when under conditions of controlled transactions an adjustment is made by the tax authority of another country and this adjustment results in taxation of profits in that country for which the taxpayer is already taxed in Kosovo, and the country proposing the regulation has an agreement for elimination of double taxation with Kosovo, then under these conditions TAK shall, upon submission of a request by the Kosovo taxpayer, control the compliance of that regulation with the open market value.

7. The Minister shall issue a sub-legal act for implementation of this Article

Article 29 **Avoidance of Double Taxation**

1. A taxpayer resident in Kosovo who receives income from business activities outside of Kosovo and who pays income tax to any other state shall be allowed a tax credit under this Law for the amount of income tax paid to such State that is attributable to the income derived from that other state.

2. The tax credit allowed in paragraph 1. of this Article shall be allowed as a tax deduction on the income of the resident of Kosovo to an amount equal to income tax paid outside Kosovo. However, such deduction shall not exceed the part of taxation in Kosovo calculated prior to the deduction provided, and attributed to incomes outside Kosovo.

3. Any applicable international agreement on the avoidance of double taxation on income shall supersede the provisions of this law.

Article 30 **Permanent Establishment**

1. For the purposes of this Law the term "Permanent Establishment" shall mean a fixed place of business through which the business of an enterprise is wholly or partly carried on in Kosovo for a period longer than six (6) months within any twelve (12) month period.

2. The term "Permanent Establishment" shall particularly include:

- 2.1. a place of management;
- 2.2. a branch;
- 2.3. an office;
- 2.4. a factory;
- 2.5. a workshop;
- 2.6. a mine; and
- 2.7. an oil or gas source, quarry or other place of exploitation of natural resources

3. A Permanent Establishment shall also include:

3.1. any building, construction, assembly site or installation project, or supervisory activity in connection therewith, but only if such site, project or activity lasts longer than one hundred and eighty-three (183) days within any twelve (12) month period. During the calculation of the one hundred and eighty-three (183) day period shall also be included the day when such work commenced (in reality, actually), including preparatory activities;

3.2. the delivery of service, including any consultancy service carried out in Kosovo by a non-resident person through employees or other personnel, but only if such activities continue for a period of more than ninety (90) days in total within any twelve (12) month period. In the calculation of the ninety (90) day period shall also be included the day when such activities have commenced (in reality, actually) to be provided by an individual in Kosovo, but only if that individual resides in Kosovo for a period of more than one hundred and eighty-three (183) days in total within any twelve (12) month period;

3.3. any immovable property situated in Kosovo and owned by a non-resident person.

4. Notwithstanding the above provisions of this Article, the term "Permanent Establishment" does not include:

4.1. use of facilities solely for the purpose of storage, display or distribution of goods belonging to the enterprise;

4.2. maintenance of a stock of goods belonging to the enterprise solely for the purpose of storage, display or distribution

4.3. maintaining a stock of goods belonging to the enterprise solely for the purpose of processing by another enterprise;

4.4. maintaining a fixed place of business solely for the purpose of purchasing goods or collecting information for the enterprise;

4.5. maintaining a fixed place of business solely for the purpose of advertisement, provision of information, scientific research or similar activities of a preparatory or auxiliary character for the enterprise;

4.6. an installation or collection project exercised by an enterprise of a contracting state in the other contracting state regarding the distribution of machinery or equipment produced by this enterprise;

4.7. maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs 4.1. to 4.6. of this Article, provided that the overall activity of the fixed place of business resulting from this combination is only of a preparatory or auxiliary character.

5. Paragraph 4. of this Article does not apply to a fixed place of business in Kosovo, which is used or maintained by a non-resident person, if the same person or persons associated conduct business activities in the same place or in another country in Kosovo, and:

5.1. that country, or another country, establishes a Permanent Establishment for the non-resident person or person associated thereto, pursuant to the provisions of this Article; or

5.2. the general activity results from a combination of activities carried out by two related persons in the same place in Kosovo, or by a non-resident person or related persons in two places in Kosovo, which are not of preparatory or auxiliary activities character; to ensure that business activities developed by two non-resident persons in the same place in Kosovo, or by the same non-resident or related persons in two places in Kosovo, constitute additional functions that are part of coherent business activity.

6. Notwithstanding the provisions from paragraph 1., 2. and 3. of this Article when a person, other than an agent bearing and independent status that is subject to paragraph 7. of this Article, acts in Kosovo on behalf of a non-resident and regularly exercises the authority to enter contracts on behalf of that non-resident person, then in this case the non-resident person is considered to have a permanent establishment in Kosovo insofar any activity that persons conducts on behalf of the non-resident person is concerned, except in cases when the activities of that person are limited to those mentioned under paragraph 4. of this Article, which if exercised via a fixed place of business, would not make the fixed place of business a permanent establishment according to the provisions of paragraph 4. of this Article.

7. A non-resident person shall not be deemed to have a permanent establishment in Kosovo solely because the non-resident exercises its business activities in Kosovo through a broker, a general commission agent or any other agent bearing an independent status, provided that these persons are acting in the course of their regular business activity.

8. The fact that the non-resident person controls or is controlled by a company, which is resident or conducts its business in Kosovo (either through a permanent establishment or otherwise) shall not constitute in itself sufficient grounds to consider this company as a permanent establishment of another company.

CHAPTER VII WITHHOLDING TAX

Article 31

Withhold Tax on Income, Pensions, Interest, Royalties, Rents, Lottery Winnings, and Games of Chance

1. Each employer is responsible for withholding tax from taxable salaries paid to his or her employees, including payments to natural non-business persons, for professional services, technical, management, financial services, payments for service contracts, payments for actors, musicians, athletes shows, dependent agents, during all payroll period for which their income have been paid:

1.1. principal employer of an employee shall withhold a proper amount for the relevant period based on the payroll, in accordance with the scale foreseen under the relevant legislation on Personal Income Tax;

- 1.2. a non-principal employer of the employee, shall withhold an amount equal to ten percent (10%) of taxable income for each tax period;
- 1.3. pension contribution paid from or for the interest of the Kosovo Pension Saving Trust or from an authorized supplementary pension fund regulated by legislation on pension contribution, shall be subjected to withhold tax by the payer of pension, in accordance with the scale foreseen under the relevant legislation on Personal Income Tax.
- 1.4. each employer required to withhold tax under this Article, shall submit a withheld tax statement and transfer the amount withheld to an account determined by TAK in a bank or financial institution licensed by the Central Bank of Kosovo (hereinafter: CBK) within fifteen (15) days following the last day of each calendar month, in accordance with the sub-legal act issued by the Minister.
2. Taxpayers paying interest from credits acquired including loans, except as provided under paragraph 4. of this Article, or royalties of resident and 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 TAK, in a bank or financial institution licensed by the CBK. The withheld tax must be paid to the bank or financial institution by the 15th day of the month succeeding the month in which the account is credited or the payment is made.
3. Each taxpayer who pays rent shall withhold tax at the rate of nine percent (9%) at the time of payment or credit and transfers the tax withheld to an account designated by the Tax Administration in a bank, or financial institution, licensed by the Central Bank of Kosovo. The withheld tax must be paid to the bank, or financial institution by the 15th day of the month following the month in which the payment is made or credited, except when the lessors income are tax exempt.
4. Interest on loans provided by financial institutions licensed by CBK to their customers in the ordinary course of their business and interest on financial instruments which are issued or guaranteed by a public authority of Kosovo shall not be subject to withholding.
5. Each taxpayer required to withhold tax under this Article, prior to 1st of March of the year following the tax period, shall provide the receiver of income with a withheld tax certification in the form specified by the sub-legal act issued by the Minister.
6. Withheld tax for other categories that have not been included under this Article, shall be handled in accordance with relevant legislation on Personal Income Tax.
7. Any taxpayer paying for lottery or game of chance winnings to the resident and non-resident person, is required to withhold tax in the amount of ten percent (10%) at the time of payment or crediting.

Article 32
Withhold Tax for Special Categories

1. Any taxpayer who makes payments for natural non-business persons, farmers, collectors of recycled materials, mountain fruit, medicinal plants and similar, is obliged to withhold tax at the rate of one percent (1%) in gross payment, at the time of payment.
2. Each taxpayer, who is required to withhold tax under paragraph 1. of this Article, shall submit a tax withholding statement and transfer the amount of withholding tax to the account determined by TAK, in a bank or financial institution licensed by the CBK, within fifteen (15) days after the last day of each calendar month, in accordance with the sub-legal act issued by the Minister.
3. Each tax payer which is required to withhold tax under paragraph 1. of this Article shall, prior

to 1st of March of the year following the tax period, provide each natural non-business person with a certificate of withheld tax in the form specified by the sub-legal act issued by the Minister.

Article 33

Withholding on certain payments to non-residents

1. Income attributable to a non-resident of Kosovo as an entertainer, such as a theatre, motion picture, radio or television artiste, or a singer or musician, or as a sportsman, from his or her personal activities exercised in Kosovo shall be subject to withholding by the payer of that income, whether paid directly or indirectly to the non-resident.
2. Income, other than income described in paragraph 1. of this Article, earned from agreements or contracts, whether written or verbal, with Kosovo persons or entities by a non-resident person or entity from services performed in Kosovo shall be subject to withholding by the payer of that income, as long as the non-resident person or entity has no permanent establishment in Kosovo.
3. Notwithstanding any other provisions in this Law, the amount of withholding under in paragraph 1. and 2. of this Article shall be five percent (5%) of the gross compensation. Each payer shall submit a statement of withholding and remit the amount of tax withheld to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo within fifteen (15) days after the last day of each calendar month, in accordance with a sub-legal act issued by the Minister.
4. Withholding under this Article shall be considered to be a final tax and the recipients of such income subject to the withholding shall not submit a declaration to the tax administration, notwithstanding the provisions of Article 37 of this Law.
5. Each payer who withholds under this Article during a tax period shall, upon request of the receipt of income, before the 1st of March of the year following the tax period, shall provide a certificate of tax withholding to the recipient of the income in the form specified with a sub-legal act issued by the Minister.
6. Each taxpayer who withholds tax under this Article during a tax period shall submit to the TAK an annual reconciliation statement in the form and format specified by TAK no later than 1 March of the year following the tax period. Each taxpayer must include a copy of all withholding certificates, required by paragraph 5. of this Article, with the annual reconciliation statement submitted to the TAK.
7. The Minister shall issue a sub-legal act determining the persons or entities who are payers under this Article and all other activities required for implementation of this Article.

CHAPTER VIII SPECIAL PROVISIONS

Article 34

Treatment of Commercial Income of Non-Governmental Organizations

1. 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 business activity, reduced by any deductions that are directly related to the carrying on of such business and which are allowed by this Law.
2. TAK shall have the authority to audit any NGO to determine its compliance with the rules that govern NGO's. In cases that NGO profits are deemed to exceed a reasonable level of profits for an organization that is established as a non-profit organization, the TAK shall have the authority

to treat such excessive profits in accordance with the provisions of paragraph 1. of this Article.

3. Any NGO that engages in activities exempt from tax under sub-paragraph 1.1. of Article 8 of this law and other commercial activity shall maintain separate accounts and records for the public benefit activity and other commercial activity.

4. The Minister shall issue sub legal act which will describe the meaning of "excessive profits" under this Article.

CHAPTER IX ADMINISTRATIVE PROVISIONS

Article 35 Requirement for Books and Records

1. A taxpayer with annual gross income from business activities for the tax period in excess of thirty thousand (€30,000.00) Euros, shall keep the books and records identified in paragraph 5. of this Article.

2. A taxpayer with annual gross income up to thirty thousand (€30.000.00) Euros from business activities for the tax period may opt to prepare the books and records identified in paragraph 5. of this Article.

3. A taxpayer under paragraph 1. of this Article and the one who opts to prepare books and records identified in paragraph 5. of this Article for any tax period shall be required to prepare such books and records for the tax period in which the option is made and for at least three (3) succeeding tax periods:

3.1. a taxpayer who opts to select the option described under paragraph 5. of this Article shall submit an application form to TAK prior to 1st of March of the tax period in which the taxpayer wants to make the selection and the selection has been done.

3.2. for new taxpayers, the first quarterly statement submitted shall serve as information to TAK that the selection pursuant to paragraph 5. of this Article has been made.

4. A taxpayer under paragraph 1. of this Article, as well as the taxpayer who has opted to keep books and records under paragraph 5. of this Article, may return to keeping books and records pursuant to Article 36 of this Law only when a period of three (3) years after the period in which the selection has been made has passed, provided that incomes in the last quarter are below the limit of thirty thousand (30,000.00 €) Euro.

4.1. a taxpayer who rightfully wants to reverse its book keeping option pursuant to paragraph 4. of this Article should submit a request for approval to TAK in accordance with applicable procedures of the Law on Tax Administration and Procedures prior to keeping books and records as provided under Article 36 of this law. The approval should be granted before 1st of March of the year for which the taxpayer requires approval.

5. The books and records required under this Article, maintained in accordance with the Law on Tax Administration and Procedures, are as follows:

5.1. a sales book in which all sales and returns are recorded;

5.2. a purchase book in which all purchases and returns are recorded;

5.3. a cash receipts journal that records all cash income and expenses;

5.4. a capital account, if applicable, that includes the opening balance, additions to capital, expenses to be capitalized, depreciation rate, amount of depreciation, dispositions, and closing balance; and

5.5. financial statements and balance sheets as required for establishing the starting point for computation of the annual corporate income tax declaration.

6. The content of books and records required by this paragraph and any other books or records required, including those maintained in an electronic format, shall be defined in a sub-legal act issued by the Minister.

Article 36

Requirements for Books and Records for Small Businesses

1. A taxpayer with annual gross income of thirty thousand (€30.000.00) Euro, who does not opt to prepare the books and records required under paragraph 5. of Article 35 of this law, must maintain the following minimal books and records:

1.1. a sales book in which all sales and returns must be recorded;

1.2. a purchase book in which all purchases and returns must be recorded; and

1.3. a cash receipts journal that records all cash income and expenses.

2. The content of books and records required by this paragraph and any other books or records required, including those maintained in an electronic format, shall be defined in a sub-legal act issued by the Minister.

Article 37

Tax Declaration

1. A taxpayer that is required or opts to be subjected to taxation based on its real income, shall be obliged to prepare and declare his or her income by adjusting for tax purposes the income and reported expenses.

2. The taxpayer shall submit financial statements to TAK by 31st of March of the year following the tax period.

3. The declaration shall be made on the forms prescribed by the Tax Administration and the tax basis shall be the profit presented in financial statements compiled in accordance with Accounting Standards, increased or decreased in compliance with the provisions of this law.

4. The taxpayers shall submit to TAK, along with the tax declaration, the financial statements prepared in accordance with Accounting Standards and respective applicable legislation.

5. Exceptionally from paragraph 2. of this Article, in case an economic activity is closed, the annual tax statement shall be submitted in the period when the application for deregistration of business is submitted.

6. The minister shall issue a sub-legal act for the implementation of this Article.

Article 38

Tax Payments

1. Each taxpayer under the present Law shall make every three (3) months advance payments of tax to an account designated by the Tax Administration in a bank, or financial institution, 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 thirty thousand (€30.000) Euro who are not required to, or do not opt to, submit an annual tax declaration as per Article 37 of this Law shall make the following payments per quarter:

2.1.1. three percent (3%) of each quarter's gross income from trade, transport, agricultural and similar commercial activities, but not less than thirty seven point five cents (37.5€) per quarter;

2.1.2. nine percent (9%) of each quarter's gross income from services, professional, vocational, entertainment and similar activities. but not less than thirty seven point five cents (37.5€) per quarter;

2.1.3. ten percent (10%) of net rental income for the quarter, reduced by any amount withheld during that quarter pursuant to paragraph 3. of Article 31 of this Law;

2.1.4. if a taxpayer provided under sub-paragraph 2.1. of this Article has no income during a quarter, no payment is required but the taxpayer must submit the statement of quarter instalment for the period where there is no tax liability.

2.2. taxpayers under Article 37, paragraph 1. of this Law, shall make the following quarterly payments:

2.2.1. 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 that related to such income in accordance with this law, or

2.2.2. for the second and subsequent tax periods that a taxpayer makes payment under this paragraph, of at least one-fourth (1/4) of one hundred and ten percent (110%) of the total tax liability of the previous tax period for the current tax period reduced by any amount withheld during the quarter that relates to such income in accordance with this law.

3. A taxpayer who has exceeded gross turnover of thirty thousand (€30.000) Euro is obliged to report income and make payments in accordance with paragraph 1. of Article 35 of this law and sub- paragraph 2.2. of this Article for the tax period in which gross turnover exceeded thirty thousand (€30.000) Euro and, at least, the three (3) succeeding tax periods.

4. A taxpayer who makes quarterly advance payments pursuant to sub-paragraph 2.2. of this Article shall perform a final settlement of tax and pay the final amount due on or before 31st of March of the year following the tax period.

5. The amount due for the final settlement shall be the total tax due for the tax period determined in accordance with this Law, minus:

5.1. the withholding taxes paid by others and paid to the TAK in accordance with this law and the Law on Personal Income Tax;

5.2. the amounts paid in the quarterly instalments;

5.3. the foreign tax credit allowable under this Law.

6. If the amounts paid or credited according to paragraph 5. of this Article are greater than the

total tax due determined in accordance with this Law, the taxpayer shall be entitled to:

6.1. reimbursement of the excess tax paid; or

6.2. upon the request of the taxpayer, he or she is entitled to carry forward that amount as an advance payment for the subsequent year as well as for paying tax liabilities for any type of tax and pension contribution.

7. If an advance payment is not made timely, or in an amount that is less than that required, the TAK shall impose a penalty in an amount equal to the rate of interest in effect at the time the advance payment was due to be made. There shall be no other additions to tax, for late or inadequate advance payments. If payments, or corrected payments, for the quarterly instalments have been made on or before the due dates and a final statement, or final corrected statement, has been made as required by paragraph 4. of this Article, no penalty shall be charged for late, or insufficient advance payments, if:

7.1. the difference between the amount due in each instalment and the amount paid in each instalment does not exceed twenty percent (20%) of the amount due; or

7.2. after the taxpayer's first tax period, the amount paid in each instalment is at least ten percent (10%) more than one-fourth (1/4) of the tax liability on the tax declaration for the preceding tax period.

7.2.1. if the TAK performs an audit of any year and makes an adjustment to the tax of that year of more than twenty percent (20%), the relief from penalty provided in sub-paragraph 7.2. of this Article will not apply to the advance payment requirements for the succeeding tax period.

7.3. for the first tax period during which a taxpayer has been in business, the taxpayer shall not be subjected to a penalty if the quarterly advance payments including the fourth quarter is more than eighty percent (80%) or more of the final tax obligatory for that tax period;

7.4. a taxpayer that had a loss on the previous year Corporate Income Tax declaration is not eligible to use the provisions of sub-paragraph 2.2.2 of this Article in making advance payments for the current year. Such taxpayer must make advance payments in accordance with the provisions of sub-paragraph 2.2.1. of this Article;

7.5. the penalty to be charged under this Article shall be applied only to the underpaid amount from the date of the obligatory advance payment to the date prescribed in paragraph 4. of this Article for making the final settlement for the tax period.

8. The Minister shall issue a sub-legal act for the implementation of this Article

CHAPTER X FINAL PROVISIONS

Article 39 Sub-legal acts for implementation of the law

1. The Minister issues a sub-legal act required and referred by this Law, within a period of six (6) months, starting from the date of entry into force of this Law.

2. The exception from paragraph 1. of this Article shall not apply to the issuance of the sub-legal act referred to in Article 8, paragraph 3. of this Law for a period of six (6) months.

Article 40
Repealing provisions

1. Upon the entry into force of this Law, the Law No. 05/L-029 on Corporate Income Tax, approved by the Assembly on 22 July 2015 and published in the Official Gazette of the Republic of Kosovo, No.24 dated 18 July 2015 shall be repealed.
2. Notwithstanding paragraph 1. of this Article, the provisions of the repealed legislation under paragraph 1. of this Article shall remain applicable to TAK in reviewing tax cases until the entry into force of this law.

Article 41
Entry into force

This law shall enter into force fifteen (15) days after its publication in the Official Gazette of the Republic of Kosovo.

Law No. 06/L-105
27 June 2019

Promulgated by Decree No.DL-147-2019, dated 12.07.2019 President of the Republic of Kosovo Hashim Thaçi.