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Administrata Tatimore e Kosovës
Poreska Administracija Kosova
Tax Administration of Kosovo

german cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by giz


| VAT | PIT | CIT |
|---|---|---|
| 50% | 30% | 20% |

About **20% of TAK’s revenues** are generated from Corporate Income Tax

### Who are the taxpayers of the Corporate Income Tax?

Taxpayers of the Corporate Income Tax are:

- A corporation or other business enterprise that has the status of a legal person under the law in force in Kosovo;
- A business organization operating socially or publicly owned assets;
- An organization registered as a non-governmental organization under the relevant legislation governing the registration and operation of NGOs in Kosovo;
- Non-resident person with permanent establishment in Kosovo

### Who is subject to Corporate Income Tax?

Subject to taxation for resident taxpayers are the taxable income sourced in and outside Kosovo, while for non-resident taxpayers only taxable income sourced in Kosovo.

### What is included in gross income?

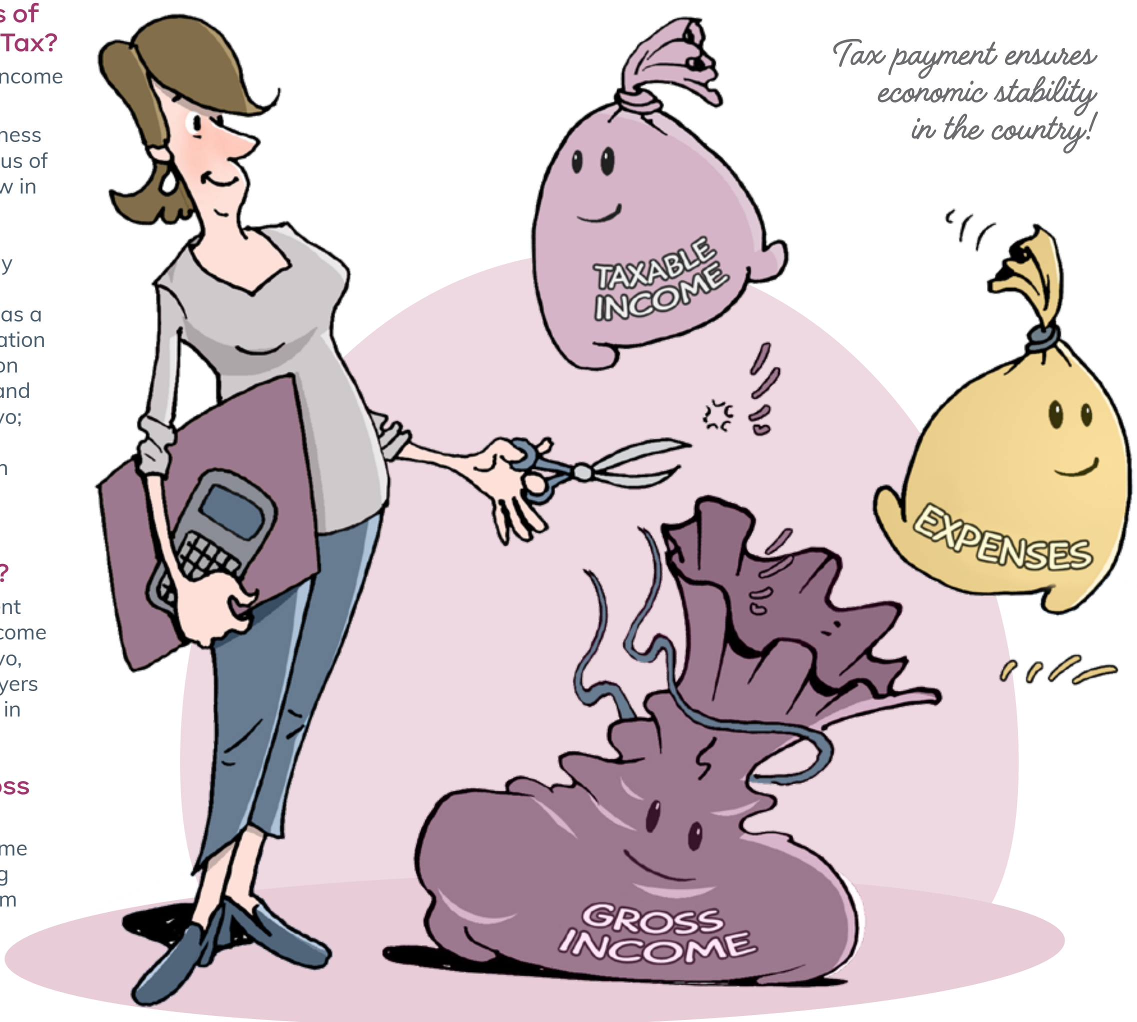
Gross income means all income received or accrued, including but not limited to, income from production, trade, financial, investment, professional or other economic activities.

The Leaflet on Corporate Income Tax is aimed at educating and informing taxpayers of their rights and obligations with regards to the Corporate Income Tax (CIT).

**Leaflet**

# Corporate Income Tax

*Tax payment ensures economic stability in the country!*





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## What is considered taxable income?

The taxable income for a tax period is considered the difference between gross income received or accrued during the tax period and the deductions allowable with respect to such income.

Gross income − Allowable deductions = **Taxable income**

## Which income is exempt from CIT?

The following income is exempt from Corporate Income Tax:

- Income 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;
- Income of the Central Bank of Kosovo, and those of entitled and duly authorized international governmental financial institutions operating in Kosovo;
- Interest on financial instruments which are issued, or guaranteed, by a public authority of Kosovo paid out to resident or non-resident taxpayers;
- Income of the Religious Communities according to the Law on Freedom of Religion in Kosovo for the exercise of the special economic activity for their self-sustainment;
- Primary contractors or subcontractors' income, other than local persons, generated from contracts for the supply of goods and services to the United Nations, the Specialized Agencies of the United Nations, KFOR and the International Atomic Energy Agency;
- Primary contractors or subcontractors' income, other than local persons, generated from contracts with foreign governments, their bodies and Agencies, European Union, the Specialized Agencies of the European Union, World Bank, International Monetary Fund and international intergovernmental organisations for the supply of goods and services in support of projects and programmes in Kosovo;
- Incomes earned from grants, subsidies and donations, in compliance with the regulations and earning criteria; etc.

## What is included in allowable expenses?

For businesses, which are taxed on a real income basis, allowed as a deduction from general income are the expenses paid or incurred during the tax period that are wholly, solely and directly related to the economic activity, such as:

- Costs of representation, advertising and economic promotion;
- Bad debts costs;
- Business travel costs;
- Depreciation expenses;
- Special deductions for new assets;
- Repairs and improvements;
- Amortization;
- Exploration and Development Costs;
- Tax losses;
- Rent expenses;
- Allowable deductions for the activities of public interest;
- Educational and training expenses; etc.

## Which are disallowed expenses?

Disallowed expenses are:

- Costs of acquisition and improvement of land;
- Fines, penalties and interest that is imposed by any public authority and expenses related thereto;
- Income tax paid or accrued, does not include taxes withheld at source by employees;
- The Value Added Tax for which the taxpayer requests deductions or crediting for the deductible taxation;
- Tax losses from transactions between the related persons, except the cases when it is in compliance with the open market value;
- Pension contributions over the maximum amount allowed by the respective legislation on Kosovo pensions;
- Expenses for presents, other than those with the name and logo of the business;
- Expenditure covered from grants, subsidies and donations, in compliance with earning criteria and rules;
- Other expenses defined by the tax legislation in force; and
- Undocumented expenses.

## What is considered as capital gain?

Capital gain means income that a taxpayer realizes through the sale or other disposition of capital assets including real estate, personal estate and securities. The incomes realized represents the positive difference between the incomes from the sale of the capital assets according to the selling price and the net value in books.

## What is considered as capital loss?

Capital loss means the loss suffered by the taxpayer from the sale or any other form of alienation of capital assets, including personal estate, real estate and securities. The loss realized represents the negative difference from the selling of the capital assets according to the selling price and the net value in books increased by the expenditure of eventual improvements and decreased for the part of depreciation.

## What are the requirements for books and records?

The paxpayer taxed on a real income basis must keep books and records under Accounting Standards. Whereas the taxpayer who is not taxed on real income basis should keep the books and records as follows:

- Purchase book, where all sales and returns are recorded;
- Sales book, where all sales and returns are recorded;
- Cash book, where all cash inflows and outflows in cash register are recorded;
- Bank reports, including deposits and withdrawals records;
- Copies of supporting documents for the records in the relevant book;
- Registration of goods;
- Book of employees, where all employees are recorded.

## What is the tax rate for calculating Corporate Income Tax?

The corporate income tax is ten per cent (10%) of taxable income.

## Who and when is it required to withhold tax at source?

All taxpayers are required to withhold tax at source at the time they make payments for: salaries and pensions, interest, property rights, rent, special categories and certain payments for non-residents, as defined in the tax legislation in force.

Tax / Contribution withheld at source must be paid within fifteen (15) days after the last day of each calendar month.

Taxpayers, who withhold tax at source, at the request of the income recipient, by 1 March of the following year of the tax period, are obliged to provide the income recipient with a Certificate of tax withheld at source.

## What are the Tax Liabilities of Small Corporates?

For annual gross income from the business activity, small corporates are obliged to declare and pay tax such as:

- Three per cent (3%) of gross income received from trade, transport, agricultural and similar commercial activities of each quarter, but not less than thirty-seven point five (37.5) € per quarter;
- Nine percent (9%) of gross income from services, professional, vocational, entertainment and similar activities of each quarter, but not less than thirty seven point five (37.5) € per quarter.

The corporation which has no income in a quarterly period is not required to pay but must submit a statement of the quarterly instalment for the period when it has no tax liability.

## When should the payment of Corporate Income Tax be done?

Each taxpayer who realizes or accrues income from business activities shall pay tax every three months in an account designated by the Tax Administration of Kosovo to a financial institution licensed by the CBK, no later than fifteen (15) days after the end of each calendar quarter (15 April, 15 July, 15 October, 15 January).

The taxpayer who is taxed on a real income basis, in addition to the quarterly instalment advance payments, must submit the annual corporate income tax return at the latest by March 31 of the following year.

## Who are the taxpayers that must submit the annual return for TAK?

Taxpayers who are taxed on a real income basis are required to submit their annual return at the latest by March 31 of the following year. Together with the tax return, such taxpayers must also submit to TAK the financial statements compiled in accordance with the Accounting Standards and relevant applicable legislation.

## How can the Elimination of Double Taxation be done?

Taxpayers resident in Kosovo who earn income from economic activities outside Kosovo and who pay income tax in other countries are allowed a deduction on income tax paid in another country, which may not exceed the tax amount due according to domestic legislation. For persons resident in countries with which Kosovo has signed Double Taxation Agreements (DTAs) and Tax Evasion Prevention Agreements, and these agreements are in force and are applicable, DTA takes precedence over the provisions of the domestic legislation.