



Pursuant to Article 9 of Law No. 2004/48 on Tax Administration and Procedures as amended and supplemented by Law No.03/L-071 on amendment and supplementation of the Law No. 2004/48 on Tax Administration and Procedures, Director General of Tax Administration of Kosovo

Issues:

## **Public Ruling**

**On**

### **Treatment for tax purposes of lump sum pension amount**

1. Paragraph 1.9 of Article 6 of the Law No.03/L-115 on Personal Income Tax, provides that pensions paid by Government to an earlier employee or in conformity with the Law on Kosovo Pension Fund will be included in gross income.
2. Article 5 of the Law No. 03/L-115 on Personal Income Tax provides scaled percentages that results in a tax amount that shall be charged over the various levels of taxable income.
3. Pension Law requires each individual, whose pension fund is less than 2000 € on the time of retirement to withdraw pension amount as a lump sum, and has no possibility to receive pension amount distributed in annuities during remaining life of that individual.
4. Requirement for withdrawing pension fund that reaches the amount less than 2000 Euros results for the retirees with low income which are taxable, but which would normally be not taxable if paid during their expected life.
5. Man's average life expectation in Kosovo is 67 years, while females are 71 years.

Having into account the above explanations, was issued the following public ruling, which is applicable only for pension payments with lump sum of 2,000 Euros or less. For practical application see the example in the annex of this public ruling.

6. A pension payment with lump sum of 2,000 or less will be treated as it is paid during a two years period, and taxed as 50% is received on the first year and the remaining 50% in the second year ( this will approximate tax implication of pensions received during the remaining life of retiree).
7. Lump sum pension payment of 2,000 € or less will be taxed with scaled percentage applicable in annual income regardless when received during the year.
8. If a recipient of a lump sum pension payment of 2,000 or less has other income the applicable pension amount will be included in annual return for Personal Income Tax submitted for reporting other income.
9. A pension payment with a lump sum of 500€ or less will be treated as it is received on the reception year, and will be taxed with scaled percentages applicable in annual income.
10. For the purposes of this public ruling withholding tax is not required if the amount to be withhold on a pension payment is less than 2 €.
11. A recipient of a lump sum pension payment of 2,000 or less who in addition to lump sum pension payment has no income subject to tax for the year, is not required to submit annual return or tax payment, if the total amount that would in tax return be a liability not exceeds 2 €.

Director General of TAK  
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Date  
15/07/2009

