



REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO  
QEVERIA E KOSOVËS - VLADA KOSOVA - GOVERNMENT OF KOSOVO  
MINISTRIA E EKONOMISË DHE FINANCAVE - MINISTARSTVO ZA PRIVREDU I FINANSIJE - MINISTRY OF ECONOMY AND FINANCE  
**ADMINISTRATA TATIMORE E KOSOVËS - PORESKA ADMINISTRACIJA KOSOVA - TAX ADMINISTRATION OF KOSOVO**

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## **CORPORATE INCOME TAX- THE REDUCTION OF THE RATE FROM 20% TO 10%**

### **GUIDE ON THE MANNER OF THE APPLICATION OF THE NEW TAX RATE**

**January, 2009**

## **INTRODUCTION**

### **THE REDUCTION OF THE RATE FROM 20% TO 10%**

The Assemble of Republic of Kosovo has adopted the Law on Corporate Income Tax. Under this Law the Corporate Income tax rate is reduced from 20% to 10%. The new rate will enter into force from 1 of January 2009, and will affect each Taxpayer registered for Corporate Income Tax who will be taxed based on the Real Income.

### **THE SCOPE OF THIS GUIDE**

This guide will assist the Taxpayers who pay the Corporate Income Tax on the manner of application of the new tax rate. Therefore the Tax Administration of Republic of Kosovo likes to encourage and assist businesses for making the necessary changes regarding to the change of the rate.

### **FURTHER ASSISTANCE**

If you have any question for which you could not find the answer within the content of this guide, please contact the Taxpayers Education Department at the Head Office of the Tax Administration of Kosovo.

**Contacts:**

Tel. 038 200 25 017

Email : [info@atk-ks.org](mailto:info@atk-ks.org)

Web : [www.atk-ks.org](http://www.atk-ks.org)

This service is available from 8.30 up to 15,30 , from Monday until Friday.

## **1. TAXPAYERS WHO MUST FILE AND PAY THE CORPORATE INCOME TAX.**

- 1.1 A Corporate or any other business enterprise that is having the status of legal person under the effective law in Kosovo;
- 1.2 A business enterprise that operates with the social or public owned property;
- 1.3 An organization registered as Non Governmental Organization under the legislation on Registration and Functioning of Non Governmental Organization in Kosovo;
- 1.4 A non resident person with a permanent establishment in Kosovo.

## **2. TAXPAYERS WHO ARE NOT AFFECTED FROM THE CHANGE OF TAX RATES**

- 2.1 Insurance Companies shall continue to apply tax with the rate of 7% of Gross premiums collected during the tax period. The rate of 7%, is the rate that was and earlier applicable for Insurance Companies. The Law on Corporate Income Tax has not changed this tax rate.
- 2.2 Taxpayers who did not exceed the annual gross income of 50 000 euros, and those who did not exceed this limit and did not opt to be taxed on voluntary bases based on the real income. This means that this category of Taxpayers shall continue to pay their quarterly installments calculating the same rates as earlier :
  - (a) Taxpayers with annual gross income from business activities of 5.000 euro or less: 37.5 euro per quarter;
  - (b) Taxpayers with annual gross income from business activities of more than 5.000 up to 50.000 euro :
    - b.1. Three percent (3%) of each quarter's gross income from trade, transport, agricultural and similar commercial activities, and
    - (ii) Five percent (5%) of each quarter's gross income from services, professional, vocational, entertainment and similar activities.

### **3. TAXPAYERS WHO ARE AFFECTED FROM THE CHANGE OF TAX RATES**

3.1 Taxpayers who have exceeded the annual gross income of 50 000 euros are obligated to be taxed based on the real income.

3.2 Taxpayers who have not exceeded the annual gross income of 50 000 euros, but who opted to be taxed based on the real income.

### **4. PAYMENT OF QUARTERLY INSTALLMENTS FOR THE TAXPAYERS WHO ARE AFFECTED FROM THE CHANGE OF THE TAX RATES**

4.1 For the Taxpayers who belong under the section 3 of this guide, who opt to pay their quarterly installment for 2009 based on the estimation, installment payment shall be made applying the rate of 10% on the estimated profit. **Estimated profit** shall be the result of the difference between the **estimated income for the Tax Period divided by 4** , and the **estimated expenses for the Tax Period divided by 4**.

4.2 For the Taxpayers who belong to the section 3 of this guide, who opt to pay their quarterly installments for 2009 based on the safe harbor ( 110% of the tax liability of the period of previous year ), installment payment shall be made calculating: **{(tax liability of the previous year divided by 2) \* 110%} divided by 4**.

#### **Example:**

The Tax liability of 2008 that is the result of annual return of Corporate Income Tax is = 10,000 euros.

$10,000 / 2 = 5,000$  euros shall be the calculation base for the installment payments of 2009.

$5,000 \times 110\% = 5.500$

$5.500 / 4 = 1375$  is the payment that will be made for each installment for 2009

## **5. DECLARATION AND PAYMENT OF THE ANNUAL TAX RETURN**

5.1 Taxpayers, who have to prepare the annual Tax Return for 2008 and submitted it until the 1st of April 2009, on their taxable profit which is the result of this return, shall apply the tax rate of 20%.

5.2 Taxpayers who have to prepare the annual Tax Return for 2009 and submitted it until 1st of April 2010, on their taxable income which is the result of this return, shall apply the tax rate of 10%.

## **6. APPLICATION OF THE TAX RATE WHEN WITHHOLDING TAX ON SOURCE**

6.1 Taxpayers who have to withhold tax under the section 27.1 of Law on Corporate Income Tax, when doing the payment or crediting (for months from January and further) of the dividends, rent or royalties (from the copyright, patent or the right for the use of the natural resources), shall withhold tax using the rate of 10% .

6.2 Taxpayers who have to withhold tax under the section 27.2 of the Law on Corporate Income Tax, when doing the payment or crediting (for months from January 2009 and further) of the rent they shall withhold tax using the rate of 9 % . Even if the section 27.2 provides that withholding tax has to be made with the rate of 10%, the Taxpayer shall withhold the tax on rent using the rate of 9% for the following reasons:

- a) The rent is taxable under the paragraph 1.3 of section 6 of the Law on Personal Income Tax;
- b) Under the paragraph 2.2 of section 10 of the Law on Personal Income Tax, from the gross rent shall be deducted 10% on the name of deductible expenses , and then on the net rent shall be applied the rate of 10% . The result of it shall be the rent payment with the rate of 9% from the gross rent.

6.3 The Taxpayers who under the section 17 of the Law on Personal Income Tax are obligated to withhold tax on wages, they will withhold doing the calculation of tax below the taxable wage, paid during the period of January 2009 and further, with these tax rates:

Monthly Taxable Wage	The tax rate expressed on %
0 to 80	0%
80 to 250	4%
250 to 450	8%
Over 450	10%

6.4 The Taxpayer who is not a principal employer and who is going to pay secondary wage for his employee for the month January 2009 and further, shall withhold tax with the maximal rate of 10%

## **7. THE MANNER OF CALCULATION OF DEPRECIATION AND THE TREATMENT OF NON RESIDENTS**

7.1 During the conversion of the Regulation 2004/51 on Corporate Income Tax into the Law on Corporate Income Tax, by the Parliament of Republic of Kosovo there are not included the changes that have been made on the Regulation 2005/51 which has amended the Regulation 2004/51 on CIT, which are related to the manner of calculation of depreciation. For this reason, at the moment that you will calculate the depreciation in your financial statement of 2008 and further, you shall apply the manner provided on the Regulation 2005/51 and on the Instruction no. 2/2008 dated 24.04,2008 on implementation of Regulation 2005/51. So that means that :

- a) The Regulation 2005/51 dated 16th of December 2005 remains applicable.
- b) The Instruction no 2/2008 dated 24.04,2008 on the implementation of Regulation 2005/51 remains applicable.

7.2 Also during the conversion of the Regulation 2004/51 on Corporate Income Tax into the Law on Corporate Income Tax by the Parliament of Republic of Kosovo, there are not included the changes that are made on the Regulation 2007/22 which relates to the treatment of the permanent establishment. This Regulation also remains applicable.

## **8. THE USE OF REMITTANCE FORMS**

If , because of the short time available, the Tax Administration will not be able to furnish you with the new tax forms with the applicable corrected tax rates for tax remittance or withholding tax ,you may use the old Forms making manually the corrections on the fields where the old tax rates are presented .

**JANUARY 2009**



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## INTEREST, DIVIDEND, ROYALTY, RENT, LOTTERY WINNINGS AND GAME OF CHANCE TAX WITHHOLDING AND REMITTANCE MONTHLY STATEMENT

**WR**

UNIREF \_\_\_\_\_

[2] \_\_\_\_\_

[1] Filing Period : \_\_\_\_\_

[3] Employer's Registration Number \_\_\_\_\_

[4] Employer's Name [4] \_\_\_\_\_

[5] Employer's Address [5] \_\_\_\_\_  
(only if it is different from the last form)

Telephone \_\_\_\_\_

[6] Contact Person's Name [6] \_\_\_\_\_  
 Telephone \_\_\_\_\_

[7] Put 'X' on the appropriate box if not filing for the first time for this filing period.

Addition       Correction       Payment only

### a. Tax Withheld on Interest, Dividends, Royalties and Lottery Earnings

[8] Gross interest paid for the month -----	[8]	
[9] Gross dividends paid for the month -----	[9]	
[10] Gross royalties paid for the month (non-individuals only) --	[10]	
[11] Gross lottery winnings paid for the month (individuals only)	[11]	
[12] Total gross amount paid for the month [12]=[8]+[9]+[10]+[11]	[12]	
[13] Tax withheld on income other than rent [13]=[12] x <del>20%</del> <sup>10%</sup> -----	[13]	

### b. Tax Withheld on Rental Income

[14] Gross rent paid for the month -----	[14]	
[15] Tax withheld on rents paid [15]=[14]x <del>15%</del> <sup>9%</sup> - (non individual tenants only) -----	[15]	
[16] Total tax withheld [16]=[15]+[13] -----	[16]	

I declare that facts reported in this Statement are true.  
 First Name/Last Name/Signature and Stamp  
 (\_\_\_\_\_)

dd/mm/yy  
 \_\_\_\_/\_\_\_\_/\_\_\_\_

### Section of the Bank

Signature and Stamp _____	Account Number : <b>1000420070000373</b>	Amount of Tax paid _____ €
	Text:	
	Date ____/____/____	