



REPUBLIKA E KOSOVËS - REPUBLIKA KOSOVA - REPUBLIC OF KOSOVO
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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

**PERSONAL INCOME TAX – REDUCTION OF TAX RATES FROM (0% ,
5% , 10% , 20%) TO (0% , 4% , 8% , 10%)**

MANUAL ON APPLICATION OF NEW TAX RATES

January, 2009

INTRODUCTION

REDUCTION OF RATES ON PERSONAL INCOME TAX

The Assembly of Republic of Kosovo has adopted the Law on Personal Income Tax.

With this Law the tax rates have been changes as follows:

Taxable profit for a year	Previous tax rate expressed on %	Reduction of tax rates expressed on %
0 to 960	0%	0%
960 to 3000	5%	4%
3000 to 5400	10%	8%
Over 5400	20%	10%

Also, the rates of tax on dividends, interest, rent, game of chance, capital gains, sale of intangible property, etc., are changes from 20% to 10%.

New rates are effective from January 1st, 2009 and this change affects any taxpayer registered for Personal Income Tax and mentioned on section 1 of this manual.

GOALS OF THIS MAUNAL

This manual will assist the taxpayers, who pay Personal Income Tax, on how to apply the new tax rates. Therefore the Tax Administration of Republic of Kosovo wants to encourage and assist these taxpayers in order for them to make necessary changes with regard of changes on rates.

FURTHER ASSISTENCE

If you have any question, for which you where not able to find respond within the content this manual, please contact the Department of Taxpayer Education within Headquarters of Tax Administration of Kosovo.

Contacts:

Tel. 038 200 25 017

Email : info@atk-ks.org

Web : www.atk-ks.org

This service is available from 8:30 to 15:30 from Monday to Friday.

1. TAXPAYERS REQUIRED TO FILE AND PAY PERSONAL INCOME TAX.

Under this regulation the taxpayers who are physical persons, residents and non-residents and are receiving or creating gross income from:

- a) wages;
- b) business activities;
- c) rents;
- d) the use of intangible property;
- e) interest;
- f) dividends;
- g) Lottery and other game of chance winnings;
- h) Pensions paid by government, previous employer, or Pension saving Trust; and
- i) any other income that increases the taxpayer's net worth.

2. TAXPAYERS THAT ARE NOT AFFECTED BY THE TAX CHANGE OF TAX RATES

Taxpayers that have not exceeded the annual gross income of €50,000 and those who have not exceed this threshold and did not opt on voluntary bases to be taxed on real income bases, are required to continue to pay their quarterly payments by calculating the same rates as before:

- 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
 - b.2. Five percent (5%) of each quarter's gross income from services, professional, vocational, entertainment and similar activities.

3. TAXPAYERS AFFECTED BY THE CHANGE OF TAX RATES

3.1 Taxpayers who receive income from business activities and their annual gross income exceeded €50,000, are obliged to be taxed on real income bases.

3.2 Taxpayers who receive income from business activities and their annual gross income did not exceed €50,000, but who opt to be taxed on real income bases.

3.3 Taxpayers who receive income from:

- a. wages;
- b. business activities;
- c. rents;
- d. the use of intangible property;
- e. interest;
- f. dividends;
- g. Lottery and other game of chance winnings;
- h. Pensions paid by government, previous employer, or Pension saving Trust; and
- i. any other income that increases the taxpayer's net worth.

4. PAYMENT OF QUARTERLY INSTALLMENTS AFFECTED BY THE CHANGE OF TAX RATES

4.1 Taxpayers falling under the section 3.1 and 3.2 of this manual, who opt to pay their quarterly installments for 2009 on estimation bases, the payment of installments shall be made by calculating (1/4) of tax liability estimated for the period.

4.2 Taxpayers falling under the section 3.1 and 3.2 of this manual, who opt to pay their quarterly installments for 2009 on “safe harbor” (110% of previous year tax liability), the payment of installments shall be made by computing: **{(previous year tax liability divided by 2) * 110%} divided by 4.**

Example:

2008 tax liability that is a result of annual return of Personal Income Tax is € 10,000.

$10,000 / 2 = 5,000$ euro shall be the bases for calculation of installments to be paid for 2009.

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

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

5. FILING AND THE PAYMENT OF ANNUAL RETURNS FOR PERSONAL INCOME TAX

5.1 Taxpayers required to prepare the Annual Tax Return on personal income for 2008 and required to submit it by April 1st 2009, for their taxable profit that is a result of this return, shall apply the tax rates (0% , 5% , 10% and 20%)

5.2 Taxpayers required to prepare the Annual Tax Return on personal income for 2009 and required to submit it by April 1st 2010, for their taxable profit that is a result of this return, shall apply the tax rates (0% , 4% , 8% and 10%)

6. PAYMENT OF TAX ON INCOME FROM INTEREST, DIVIDENDS, LOTTERY WINNINGS, CAPITAL GAINS AND SALE OF INTANGIBLE PROPERTY

Taxpayers who earn income from dividends, interest, game of chance, capital gains and sale of intangible property shall pay tax with the rate of 10%.

7. FILING AND PAYEMENT OF TAX ON RENTS

Taxpayers earning income from rent, under article 22 of the Law on Personal Income Tax, shall pay each quarter the amount of 10% on rent net amount:

- a. after the real paid or accrued expenses are deducted in full and exclusively for the creation of rent, under the paragraph 2.1 of article 10 of the Law on Personal Income Tax.
- b. after the 10% is deducted from gross rent on behalf of allowable expenses under paragraph 2.2 of article 10 of the Law on Personal Income Tax.

Item (b) means that tax rate on rent shall be 9%.

The example of item (b):

Monthly gross rent = 1 000 euro x 3 months = 3 000 euro on quarter.

3 000 – 10% allowable expenses = 2 700 x 10% tax rate = 270 tax on rent.

This is the same as we would apply the rate 9% for the gross rent of 3,000 euros, the result would be 270 euro tax on rent to be paid.

8. WITHHOLDING TAX ON WAGES

8.1 Taxpayers who, under the article 17 of law on Personal Income Tax, are required to withhold tax on wages, shall calculate the tax on taxable wage paid in period January 2009 and upwards with the following tax rates:

Monthly taxable wage (in euros)	Tax rate on %
0 to 80	0%
80 to 250	4%
250 in 450	8%
over 450	10%

8.2 Taxpayer who is not principal employer and will pay secondary wage to his employee in January 2009 and upwards, shall withhold tax on maximum rate of 10%.

9. TREATMENT OF NON-RESIDENTS

When the Assembly of Republic of Kosovo transferred the Regulation 2005/51 on Personal Income Tax into the Law on Personal Income Tax, the changes made by the Regulation 2007/23 dealing with permanent establishment, were not included.

10. USE OF FORMS FOR PAYMENT

If Tax Administration, due to short time available, will not be able to provide you with new tax forms for payment of tax or withholding, where the applicable corrected tax rate would be, you may use the old forms by correcting manually the places where the old tax rate are written.

On example of head correction is attached to this manual.



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 20% ^{10%} -----	[13]	

b. Tax Withheld on Rental Income

[14] Gross rent paid for the month -----	[14]	
[15] Tax withheld on rents paid [15]=[14]x 15% ^{9%} - (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 : 1000420070000373	Amount of Tax paid _____ €
	Text:	
	Date ____/____/____	