



**PROVISIONAL INSTITUTIONS OF SELF-GOVERNMENT  
INSTITUCIONET E PËRKOHSHME TË VETËQEVERISJES  
PRIVREMENE INSTITUCIJE SAMOUPRAVLJANJA**

**MINISTRY OF ECONOMY AND FINANCE/TAX ADMINISTRATION OF KOSOVO  
MINISTRIA PËR EKONOMI DHE FINANCA/ADMINISTRATA TATIMORE E KOSOVËS  
MINISTARSTVO ZA PRIVREDU I FINANSIJE/PORESKA ADMINISTRACIJA KOSOVA**



**ADMINISTRATIVE INSTRUCTION NO. 01/2004, DATED SEPTEMBER 1, 2001**

**ON**

**IMPLEMENTATION OF VALUE ADDED TAX**

The Minister of Finance & Economy, on behalf of the Ministry of Finance & Economy to which the powers of the Central Fiscal Authority were transferred in early 2003, in accordance with UNMIK Regulation No. 2001/11 of 31 May 2001 on Value Added Tax in Kosovo (as amended by UNMIK Regulation No. 2001/41 of 31 December 2001, UNMIK Regulation No. 2002/17 of 1 August 2002, and UNMIK Regulation No. 2004/xx of xx August 2004),

Hereby gives the following Administrative Instruction:

**Section 1**

**Consideration**

- 1.1 In respect of section 1.3 of the Regulation, "Consideration" means any payment or act or forbearance in respect of a supply of goods or services, and shall include an amount that is payable, or goods received in a barter transaction.
- 1.2 In a barter transaction between two registered persons, where goods or services are acquired by the recipient and the consideration consists of goods or services acquired by the supplier for use exclusively in commercial activities, the value of the consideration shall be deemed to be nil.
- 1.3 In a barter transaction between a registered person and a non-registered person, the transfer of goods or services from the registered person to the non-registered person shall be deemed to be made for consideration. The taxable value of the barter transaction shall be the open market value for the goods or services given in exchange.

**Section 2**

**Exclusion**

- 2.1 In respect of section 1.8 of the Regulation, "Exclusion" means an import, intra-FRY inflow or domestic purchase for which no value added tax is payable by the recipient.

- 2.2 In connection with sections 11(d) and (e) of the Regulation, imports, intra-FRY inflows or domestic purchases made by Liaison Offices, United Nations or its organs including UNMIK, KFOR, the World Bank and International Inter-Governmental Organizations shall be excluded from value added tax.
- 2.3 In connection with section 11(c) of the Regulation, value added tax will not apply on imports or intra-FRY inflows made by UNMIK or through UNMIK for Ministries and Departments (Provisional Institutions of Self-Government) and Directorates of the Interim Administration in support of humanitarian and reconstruction programs if the imports and intra-FRY inflows are made from the proceeds of grants given by governments, government agencies, governmental or non-governmental organizations.
- 2.4 Representatives of the organizations stated in paragraphs 2.2 and 2.3 above seeking to clear the goods at Border Crossing Points or Administrative Boundary Lines shall produce to Customs Service, in a form acceptable to the Customs Service, documentary proof that the shipment of goods is entitled to such exclusion.
- 2.5 Any time an excluded domestic purchase is made by an organization stated in paragraphs 2.2 and 2.3 above, the representative shall provide the registered vendor with his/her personal ID details and an authorization by the organization that he/she is authorized to execute the official purchase. The representative shall sign the tax invoice prepared by the registered vendor certifying that no VAT was paid for that supply. The tax invoice shall be prepared in two copies. The original shall be given to the buyer and the second copy shall be kept by the registered vendor. The buyer shall make a photocopy of the tax invoice, certify its authenticity and deliver it to the Regional or Local Tax Office.

### Section 3

#### Exempt Supply

In respect of section 1.9 of the Regulation, an "Exempt Supply" means any supply of goods or services that is not subject to VAT. This means that the Registered Person shall not charge and collect VAT for that supply. No credit of input tax is allowed for exempt supplies.

### Section 4

#### Financial Services

In respect of section 1.11 of the Regulation, the definition of "Financial Services" in 1.11(f) includes only life insurance and re-insurance. The supply of Third Party Liability insurance contracts and other property insurance contracts by VAT registered insurance companies is therefore not an exempt supply under section 12 of the VAT regulation and VAT shall be charged on the insurance policy bill. The policy bill shall be regarded as the tax invoice.

### Section 5

#### Related Person

In respect of section 1.21 of the Regulation, "Related Person" means a person with special relations with the taxable person. Persons shall be deemed to be related only if:

- (a) they are officers or directors of one another's businesses;
- (b) they are legally recognized partners in business;
- (c) they are employer and employee;
- (d) any person directly or indirectly owns, controls or holds 5 percent or more of the outstanding voting stock or shares of both of them;
- (e) one of them directly or indirectly controls the other;
- (f) both of them are directly or indirectly controlled by a third person;
- (g) together they directly or indirectly control a third person; or
- (h) they are members of the same family.

## Section 6

### Turnover

In respect of section 1.29 of the Regulation, "Turnover" means the gross receipts of all supplies made by a person in Kosovo. It includes taxable supplies at the normal tax rate of 15%, taxable supplies at the rate of 0%, exclusions and exempt supplies. The turnover taken into account for registration purposes shall be the turnover of the calendar year.

## Section 7

### Registration

7.1 All taxable persons who import, export, make intra-FRY inflows or intra-FRY outflows and taxable persons whose turnover is higher than 50,000 euro in a calendar year are required to register for VAT with Tax Administration.

7.2 The supplies made by taxable persons who import or make intra-FRY inflows but whose annual turnover does not exceed the 50,000 euro threshold are exempt supplies per section 12(e) of the Regulation. Taxable persons who make these supplies are required to register under section 3.6 of the Regulation and to pay VAT on their imports and intra-FRY inflows. They are not entitled to charge VAT and are not entitled to a credit of input tax. Section 17 of the Regulation provides for these taxable persons to submit a declaration. However, since there is no output tax or input tax to declare, Tax Administration shall not insist on a tax declaration being filed.

7.3 Taxable persons who are involved in export activities or intra-FRY outflows and are required to register under section 3.5 of the Regulation shall be deemed to make taxable supplies taxed at 0% on their exports or intra-FRY outflows. Such persons are entitled to an input tax credit and they are required to file a monthly tax declaration.

## Section 8

### Procedure to be registered

- 8.1 In respect of section 4 of the Regulation “Procedure for Registration”, a person required to be registered must make an application for registration in the required format.
- 8.2 Taxable persons who meet the registration criteria when the VAT regulation enters into force are required to register within 30 days after that date. The VAT Regulation entered into force on May 31, 2001.
- 8.3 Taxable persons who meet the criteria for registration when the VAT regulation enters into force and are not registered on July 1<sup>st</sup>, 2001 shall be registered. Failure to voluntarily register on or after the required date will result in penalty.
- 8.4 Taxable persons who do not meet the registration criteria when the VAT Regulation enters into force shall be required to register within 15 days after the day they meet the criteria. Failure to register on or after the required date will result in penalty.
- 8.5 The application for registration shall be made in the form provided by Tax Administration and filed at the applicant’s Regional or Local Tax Office. The VAT Registration form is as follows:



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**VAT REGISTRATION FORM**  
 (To be submitted to Tax Administration)

**Document No**

**Business Registration Number: (BRN) (1)**

**Short Business Name (2):**

**Full Business Name (3):**

**Business Address (4):**

Street  Number   
 Place  Municipality  Telephone

**Proprietor/Director (5)**  Telephone

- (6) Purpose for VAT Registration**  
 (Put an X)
- VAT Declarer (Turnover over 50 000 DM per year)
  - Exporter
  - Small Importer
  - NGO
  - Liaison Office
  - UNMIK Body
  - International Inter-Governmental Organization
  - Voluntary

**(7) Turnover**

	Year	Turnover
Last Year	<input type="text"/>	<input type="text"/>
This Year	<input type="text"/>	<input type="text"/>

**(8) Do you want an Advisory Visit to explain VAT?**  
 Yes  No

**(9) Does your Business operate from more than one address?** Yes  List additional addresses on reverse

No

**SIGN & DATE FORM ON THE REVERSE**

For Official Use Only

**10. Declaration by Proprietor or Director:**

I ..... hereby declare that the particulars given herein are correct and I hereby apply for ..... registration for Value Added Tax.

.....  
 Signature of Proprietor/Director

...../...../.....  
 Date

**Provide the Address and Telephone Number of Each Location where Business is Conducted:**

<u>Business Registration Number</u>	<u>Street</u>	<u>No</u>	<u>Place</u>	<u>Municipality</u>	<u>Telephone</u>

### Instructions

1. Insert your Business Registration Number
2. Indicate your short business name
3. Indicate your full business name
4. Give the address of your business
5. Indicate the proprietor/director name
6. Indicate the purpose of VAT registration. Select the appropriate status.
7. At Item 7 you must indicate the Total Turnover of your business for the Last Year and for the Current Year
8. Indicate if you would like a Tax Administration official to visit your place of business to explain your obligations for VAT
9. Indicate if you conduct your business on a *Regular* basis in more than one location. You must then provide the address details for each additional place of business in the space provided above these instructions.
10. The application must be signed and dated at item 10 by the applicant. The signatory declares that the information provided is true and correct.

A VAT Registration Certificate will be issued showing the business name, the Business registration Number (BRN) and the principal address of the business. The VAT Registration Certificate must be publicly displayed at this location. Additional VAT Registration Certificates will be issued for each additional business address. If any of these details subsequently changes, or business activity ceases at the location shown, the VAT Registration Certificate must be returned to the Tax administration. All VAT Certificates remain the property of Tax Administration.

The BRN must be indicated on all invoices and in the correspondence with the Tax Administration and the Customs Department.

8.6 Once the application and registration process is completed, Tax Administration shall issue a VAT Registration Certificate on which a unique VAT identification number appears. The applicant shall have as many certificates as the number of declared places of business and each certificate shall have the same identification number. The VAT Registration Certificate is as follows.

8.7 In respect of section 25 of the Regulation "Duty to Inform of Changes", where changes occur with regard to the data provided on the registration application form, a taxable person has the obligation to notify Tax Administration within 15 days of the changes by filling out the Amendment to the Registration form which must be filed at the registered person's Regional or Local Tax Office. The format of the Amendment to the Registration form is as follows:



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**Dokument No.**  
 (Tax Administration Use Only)

**VAT REGISTRATION AMENDMENT FORM**

1. Taxpayer Identification Number (TIN)

2. Modification to the business name

New short business name:

New long business name:

3. Modification to the VAT status (please put an 'X'):

From small importer to VAT filer (turnover > 50.000 Euro)  
 importer

From VAT filer (turnover > 50.000 Euro) to small

From small importer to exporter

From exporter to small importer

From exporter to VAT filer (turnover > 50.000 Euro)  
 exporter

From VAT filer (turnover > 50.000 Euro) to

4. Has the *liability* for VAT of the business stopped PERMANENTLY?

Yes Provide the date on which the liability stopped& the reason:

Transferred/Sold to:

.....

Closed

Other:

5. Modification to the principal address & phone number of the business:

New business address:

Street

Number




Place

Municipality

Telephone

6. Declaration by proprietor or director:

I ....., hereby declare that the particulars given herein are true and correct.

Modification date ..... / ..... / .....

7. If your business operates from more than one address, and any change to these addresses occurred, or if your business is now operating from a *new* location or your business has *ceased to exist at the previous location*, provide the details. The certificate number for an existing address must be provided.

Code	Unit Reg. Number	Street	No.	Place	Municipality	TIN Certificate No.

Note: Code "A" to add a new address where business is conducted  
 Code "D" to delete an existing address where business was previously conducted.



## Section 9

### Taxable Value

- 9.1 In respect of section 8.4 of the Regulation, the main method for establishing the Open Market Value shall be the value of similar goods or services of like quality and quantity that are sold to a buyer who is fully independent of the seller in an open market transaction. Where there are no similar goods or services available in the open market, the open market value shall be the Cost Plus Method which is the cost of producing the goods or rendering the services plus the profit margin applicable to that type of business.
- 9.2 In respect of section 8.6 of the Regulation, where the amount of VAT is not listed separately on the tax invoice, the VAT for that supply shall be calculated by dividing the total value by 7.666. The difference between the price inclusive of value added tax and the VAT shall be the taxable value. For example, if the price of a good displayed in a shop window is 115 euro VAT included, we can find the amount of VAT for that supply by dividing 115 by 7.666 which gives 15 euro. The taxable value is 100 euro, i.e.  $115 - 15 = 100$ .

## Section 10

### Proof for Export and intra-FRY outflows

- 10.1 In respect of section 10.2 of the Regulation, the proof required to establish that an export has occurred shall be the Single Administrative Document and the copy of the import declaration of the recipient country.
- 10.2 In respect of intra-FRY outflows, the proof required to establish that an intra-FRY outflow has occurred shall be the Single Administrative Document.

## Section 11

### Rebates

- 11.1 A contractor who makes supplies to the excluded persons listed in section 13.2(a) of the Regulation and who also makes taxable supplies to other persons shall be required to determine the exact portion of imports and intra-FRY inflows attributable to supplies eligible for a rebate under section 13.1.
- 11.2 In respect of section 13.2(a) of the Regulation, the proof a contractor is required to produce to establish an entitlement to a rebate shall be a copy of the contract with UNMIK, the specialized agencies of the United Nations, KFOR, the World Bank and international inter-governmental organizations and a letter from the relevant authority which specifies that the import or intra FRY inflow is for that specific contract. An authentic copy of the Customs Declaration proving that VAT was paid on import or intra-FRY inflow is also required.
- 11.3 In respect of section 13.2(b) of the Regulation, the proof required by a Non-Governmental Organization to establish its entitlement to a rebate shall be any document proving that the goods brought into Kosovo are used exclusively for charitable purpose or for public benefit. The document could be a list of beneficiaries and their signatures; a statement from municipalities or other beneficiary organizations; a declaration from a beneficiary;

other similar document. The Non-Governmental Organization must also provide an authentic copy of the Customs Declaration proving that VAT was paid on import or intra-FRY inflow.

11.4 Rebate claims shall not be made more frequently than once a month. The Tax Administration shall examine all documents provided by the claimant and may request additional proof if considered necessary. Rebate claims shall be processed in due dispatch and Tax Administration shall reply in writing upon approval or refusal of the rebate. The rebate application shall be submitted to the claimant's Regional or Local Tax Office. A specimen of the application form is set forth under section 18 of the present Administrative Instruction.

Section 12  
Tax Invoice

12.1 In respect of section 14 of the Regulation, the format of the Tax Invoice is as follows:

Tax Invoice					Serial Number	<input style="width: 100px; height: 15px;" type="text"/>	
					Date/Month/Year	____/____/____	
Name of the Vendor			<input style="width: 100%; height: 15px;" type="text"/>				
VAT ID Number of the Vendor			<input style="width: 100%; height: 15px;" type="text"/>				
Address of the vendor			<input style="width: 100%; height: 15px;" type="text"/>				
Tel. Number			<input style="width: 100%; height: 15px;" type="text"/>				
Name of the Buyer			<input style="width: 100%; height: 15px;" type="text"/>				
VAT ID Number of the Buyer(if any)			<input style="width: 100%; height: 15px;" type="text"/>				
Address of the Buyer			<input style="width: 100%; height: 15px;" type="text"/>				
Tel. Number			<input style="width: 100%; height: 15px;" type="text"/>				
Nr.	Description of good or service	Unit	Quantity	Price per unit without VAT	Value without VAT	VAT	Total value VAT included
1	2	3	4	5	6=4x5	7=6x15%	8=6+7
TOTAL							
<b>1. Taxable supplies, out of which:</b>							
-taxable at 15%							
-taxable at 0%							
<b>2. Exempt Supplies</b>							
Name and Signature of the Buyer					Name, Signature and Seal of the Vendor		
( _____ )					( _____ )		

12.2 An invoice is issued every time a registered person makes a taxable supply to another business or to the final consumer. The invoice must be issued in at least two authentic copies, one for the vendor and one for the buyer. If the registered person uses a cash register, the electronic coupon must contain at least the following data:

- VAT ID Number and Name of the Vendor
- Date and Serial Number
- Price without VAT
- VAT
- Total Price

At the end of the day a tax invoice must be prepared listing all electronic coupons issued during the day and stating total amounts. Supporting documentation shall be kept for examination by the Tax Administration. The data on the tax invoice shall be registered in the sales book in the same manner as for all other tax invoices. A coupon shall not be recognized as an official document for input tax credit.

### Section 13 Adjustments

In respect of section 15 of the Regulation, a Credit Note or a Debit Note is issued by a taxable person at any time after a tax invoice has been issued and the VAT charged exceeds or is less than the actual VAT for that supply. The Credit or Debit Note is prepared in the same format as the original Tax Invoice and must include the serial number of the related invoice, the revised amount of the supply, the revised amount of tax, the reason for the adjustment and the words 'Credit Note' or 'Debit Note', in hand writing, at the upper right hand side corner of the invoice.

### Section 14 Declaration and Remittance

14.1 In respect of section 17 of the Regulation, the form for the VAT Declaration is as follows:



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**VAT DECLARATION AND REMITTANCE FORM**

[1] Tax Period  [2] Serial Number   
 [3] Business Registration Number  [4] Tax Temporary Number

[5] Name of the Business   
 [6] Business New Address   
(If it is different from last declaration)  
 Telephone   
 [7] Name of the Owner  Telephone

[8a] Put a Cross here  if no transactions happened during the previous tax period. Just sign and submit the declaration at the authorized bank.

[8b] Put 'X' in the appropriate box if not filing for the first time for this tax period  
 Addition  Data Correction  Payment Only

Output VAT for the month	Taxable Value	Output Tax
[9] Exempt Supplies	[9]	
[10] 0 Rated Agriculture Supplies	[10]	
[11] Exports, intra FRY outflows and 0% Rated Supplies	[11]	
[12] Taxable Supplies at Normal Rate of 15%	[12]	[13]
Input VAT for the month	Taxable Value	Input Tax
[14] Purchases with no VAT and with nondeductible VAT	[14]	
[15] 0 Rate Agriculture Purchases	[15]	
[16] Imports and intra FRY inflows	[16]	[17]
[18] Domestic Taxable Purchases at normal Rate of 15%	[18]	[19]
Adjustments	VAT Credit Balance	
[20] VAT Credit Carried Forward from the previous month	[20]	
[21] Request for refund of the excess tax made during month	[21]	
[22] Credit Balance from the previous month [20]-[21]		[22]
[23] Total Credit Balance for the month [23]=[17]+[19]+[22]		[23]
[24] RemainingCreditBalanc[24]=[23]-[13]if [23]>[13] (send it to box[20] of the next tax period declaration)	[24]	
[25] VAT Remittable [25]=[13]-[22]if [13]>[22]		[25]
[26] Penalties for late Filing and Payment		[26]
[27] Total Liability Remittable [25]+[26]		[27]
[28] Amount Payable		[28]

I, declare that the information included is accurate.  
 Name and Signature \_\_\_\_\_ dd/mm/yy  
 ( )

Bank Payment Part				
Bank Payment Information				
Account Number <b>1000420070000373</b>	Branch/Transfer Reference	No.	Euro	Value
Account Holder/Kosovo Consolidated Budget	Date/Signature/Seal		500	
			200	
Currency	Amount		50	
Customer Ref.	Value Date		20	
Text			10	
			2	
			1	
			Euro cent	

- 14.2 The tax declaration must be submitted to any authorized bank in Kosovo, together with the remittance, on or before the last day of the month following the tax period. The tax declaration shall be prepared in three authentic copies: the first one for the Tax Administration, the second one for the bank and the third one for the taxpayer.
- 14.3 Where the filing deadline for the VAT declaration is a Sunday or National Holiday, the declaration shall be submitted at the latest on the first working day following the Sunday or National Holiday.

## Section 15

### Capital Goods

- 15.1 In respect of section 18.2 of the Regulation, a deferment of VAT on Capital Goods shall be allowed only to newly established businesses, on import or intra-FRY inflow of machinery and equipment falling under Chapters 84 and 87 of the Harmonized System Goods Nomenclature . Machinery and equipment may be new or used and shall be used for the production of other goods or services.
- 15.2 In order to benefit from this deferment, the new business shall apply to Tax Administration by filling out an application form. The applicant must attach to the application a copy of the business plan, a copy of the contract with the vendor of the machinery or equipment, a bank guarantee to cover the VAT portion, a plan of the plant or factory, the construction permit given by the authorized agencies.
- 15.3 Tax Administration shall review the requests and shall grant the deferment to applicants who meet the conditions of reliability. A written approval or refusal shall be issued by Tax Administration to the applicant and a copy shall be forwarded to Customs Service before the importation or intra-FRY inflow occurs. The new business will give prior notice to the Customs Service of the anticipated date and location of entry of the goods into Kosovo. At time of importation/inflow, the Customs Service shall request from the owner of the goods the letter of approval issued by Tax Administration and verify that it corresponds to the letter of approval forwarded to Customs by Tax Administration. Customs Service shall calculate the deferred amount of VAT for the capital good and write “Deferred” beside the amount of VAT on the Customs Declaration. Customs Service shall notify Tax Administration of the deferment at time of arrival.
- 15.4 The taxable person has 6 months to set off the VAT against the output tax. If during the six month period the taxable person starts supplying taxable goods and services, the taxable person shall prepare a tax invoice with the value of the capital good and the respective value added tax. The data on the tax invoice shall correspond to the data on the customs declaration. The data of the tax invoice shall be registered in both, the sales and the purchase book, zeroing the VAT for the capital good and the output VAT charged and collected from the buyers shall be remitted to Kosovo Consolidated Budget (after deducting any potential input VAT on other purchases).
- 15.5 If at the end of the 6 month period the value added tax is not set off, Tax Administration shall request the bank to cover the difference from the guarantee. No credit of input tax shall be allowable until the beneficiary of the deferment starts supplying taxable goods and services.

## Section 16

### Non deductible VAT

In respect of section 21.2 of the Regulation, a VAT credit shall not be allowed in the following cases:

- a) Fuel purchases, except when:
  - i) The scope of the activity is to trade fuels,
  - ii) The fuel is indispensable for the technological needs of the activity such as in the case of the fuel for a transport company, fuel for the central heating, fuel for delivery truck;
- b) Travel, representation, lodging, meals and entertainment expenses;
- c) Expenses related to cars, except when:
  - i) The scope of the activity is to trade cars,
  - ii) The use of cars is the sole activity of the taxable person, as in the case of Rental Car Services, Taxi Services, Ambulance Services and Funeral Services;
- d) All related services with expenses listed from 'a' to 'c'.

## Section 17

### Bad Debt

- 17.1 In respect of section 22 of the Regulation, a debt is considered a "Bad Debt" when the three following conditions are met:
- The whole or part of the payment for a taxable supply has not been received by the supplier,
  - At least six months have passed after the tax period for which VAT was charged with respect of that supply,
  - The taxable person has evidence that all legal steps were taken to collect the debt before an invoice for bad debt is issued. Such evidence shall include a decision given by a court in Kosovo with regard to the debt to be recovered or a statement from the Prosecutor Office, CIVPOL, Kosovo Police Service or Municipal Authorities with regard to the debtor or other strong evidence acceptable to Tax Administration.
- 17.2 If the three conditions are met, the vendor must issue an invoice for bad debt which is prepared in the same format as a normal invoice. Such an invoice must contain the words "Bad Debt Invoice" and must refer to the serial number of the original invoice for which the payment or part of the payment is not received. This invoice is then used by the registered vendor to reduce the VAT liability and by the registered buyer to reduce the credit of input tax. The Sales book of the registered vendor and the Purchase book of the registered buyer must be adjusted accordingly.

## Section 18

### Refunds

- 18.1 In respect of section 23 of the Regulation "Excess Tax and Refunds", if the balance of the excess tax credit in box [18] of the tax declarations is carried forward for at least 6 months and the amount carried forward exceeds 5,000 euro, the taxable person is entitled to a refund.

18.2 For exporters and those who make intra-FRY outflows, a refund may be claimed every quarter or every month if the amount of excess tax is higher than 5,000 euro.

18.3 Applications for refund shall be accepted by the Tax Administration starting January 2002. The form of the Application for Refund is as follows:

18.4 Tax Administration shall consider auditing refund claims before they are processed and shall give the results of any audits in writing and within a reasonable period of time.

Section 19  
Books and Records

19.1 All sales shall be recorded in the Sales Book. The format of the Sales Book is as follows:

SALES BOOK

PAGE \_\_\_\_\_

Taxable Person VAT ID Number

Invoice				Total Supplies (Taxable base for Presumptive Tax)	Exempt Supplies	Taxable Supplies		
Date	Number	Buyer	Buyer's TIN (if any)			0 Rated Supplies, (intra FRY outflows and Exports)	Taxable Value At 15%	VAT
A	B	C	d	e=f+g+h	f	G	h	i
Total								
<b>Box Number in the Tax Return</b>					<b>9</b>	<b>10</b>	<b>11</b>	<b>12</b>

19.2 All purchases shall be recorded in the Purchase Book. The format of the Purchase Book is as follows:



Taxable Person VAT ID Number

Invoice				Purchases with no VAT and with nondeductible VAT	Purchases with deductible VAT			
Date	Number	Vendor's name	Vendor's TIN		Imports		Domestic Purchases	
					Taxable value	VAT	Taxable value	VAT
A	B	c	D	E	f	G	h	i
Total								
<b>Box Number in the Tax Return</b>				<b>Box 13</b>	<b>Box 14</b>	<b>Box 15</b>	<b>Box 16</b>	<b>Box17</b>

19.3 The last pages of the Purchase Book shall be available for the registration of ending inventory of goods on December 31<sup>st</sup> of each year. The format of these pages is as follows:

Description of goods	Quantity	Purchase price per unit without VAT	Total without VAT	VAT	Total
1	2	3	4=2x3	5	6=4+5

### Section 20 Retention Period

The retention period for books and records and other related original documents shall be of five years.

### Section 21 Construction

In respect of section 12 of the Regulation "Exempt Supply", the transfer of title and lease of residential property and land is an exempt supply. However 'Construction' is considered a normal supply of services and is a taxable supply. Because of the specific characteristics of construction the "Situation of Progress of Works" shall be recognized as a normal VAT Tax Invoice.

Section 22  
Supplies for own use

Where goods or services are used for the own economic activity needs of the taxable person, the transaction shall be recorded as follows:

- a tax invoice shall be issued charging VAT at the required tax rate for that supply and the tax invoice shall be registered in the Sales Book; and
- the same invoice shall be registered in the Purchase Book. The VAT effect of such a self-supply is zero.

Section 23  
Advance Payments

Where a taxable person receives a payment before the goods or services are supplied a tax invoice shall be immediately prepared by the taxable person and shall be registered in the Sales Book at that time.

Section 24  
Coefficient of Input Tax Credit

Where a taxable person makes taxable supplies and exempt supplies of goods and services, a Coefficient of Input Tax Credit shall be calculated based on the following formula:

$$\text{Credit of Input Tax Coefficient} = \frac{\text{Taxable Supplies}}{\text{Taxable Supplies} + \text{Exempt Supplies}}$$

The coefficient shall be calculated at the end of the tax period and shall apply to the VAT paid on imports, intra-FRY inflows and domestic purchases for that tax period. The product shall be the Allowable Credit of Input Tax for the tax period which is deductible from the output Tax of the same period.

Section 25  
Sales Tax Credit

No tax credit shall be allowed against VAT for the Sales Tax paid on importation of goods prior to the entry into force of the VAT Regulation even if the whole or part of such goods are in inventory on July 1<sup>st</sup>, 2001.

Section 26  
Presumptive Tax and Profit Tax Implications

The total value of the taxable person's exempt supplies and taxable supplies which include 0-rated supplies shall be the taxable base for the Presumptive Tax or Profit Tax of that taxable person. The VAT charged shall be excluded from the total value. The Presumptive Tax or Profit Tax taxable base, or turnover, shall be the sum of the amount recorded in the Total Supplies column of the Sales Book for each of the three months covered by the Presumptive Tax or Profit Tax period. VAT taxable persons who are required to file a VAT declaration will not be

required to keep Presumptive Tax Sales and Purchase Books, starting July 1<sup>st</sup> 2001. VAT books shall be used for Presumptive Tax and Profit Tax purposes.

### Section 27

#### Violations and Penalties

In addition to the penalties imposed in section 5 of UNMIK Regulation No. 2000/20 on Tax Administration and Procedures and article 9.2 of the Tax Administration Instruction No. 1/2000, the following penalties will apply for the violations listed below:

- failure to apply to be registered and de registered - 125 euro
- failure to notify changes – 125 euro
- failure to issue a tax invoice when required – VAT assessment plus penalty of 125 euro.

### Section 28

#### Entry into force

This Administrative Instruction enters into force on 1 September 2004 and replaces Administrative Instruction No. 01/2001 which is consequentially withdrawn.

Ali Sadriu  
Minister of Finance & Economy