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Ministria e Financave / Ministarstvo za Finansije / Ministry of Finance	
Administrata Tatimore e Kosovës / Poreska Administracija Kosova / Tax Administration of Kosovo	
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Director General of Tax Administration of Kosovo,

Pursuant to Article 9 of the basic Law No. 03/L-222 on Tax Administration and Procedures, amended and supplemented by the Law No. 04/L-102 and Law No. 04/L-223, issues:

**PUBLIC EXPLANATORY DECISION NO. 01/2020
FOR THE
IMPLEMENTATION OF ARTICLE 6, 7 AND 9 OF THE LAW NO. 07/L-
016 ON ECONOMIC RECOVERY – COVID 19**

PURPOSE

The purpose of this Public Explanatory Decision is to determine and explain procedures from tax aspect for the implementation of Article 6, 7 and 9 of the Law No. 07/L-016 on Economic Recovery – COVID 19.

LEGAL BASIS

Article 6 of the Law No. 07/L-016 on Economic Recovery – COVID 19, which supplements and amends the Article 8 of the Law No. 05/L - 028 on Personal Income Tax.

Article 7 of the Law No. 07/L-016 on Economic Recovery – COVID 19, which supplements and amends the Articles 26, 28 and 31 of the Law No. 05/L-037 on Value Added Tax.

Article 9 of the Law No. 07/L-016 on Economic Recovery – COVID 19, which supplements and amends the Article 28 of the Law No. 03/L-222 on Tax Administration and Procedures, supplemented and amended with the Law No. 04/L- 102 and Law No. 04/L-223.

DEFINITIONS

Terms and expressions used in this Public Explanatory Decision have the same meaning, as determined in Law No. 07/L-016 on Economic Recovery – COVID 19 and Tax Legislation of Kosovo.

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TAX TREATMENT OF FUNDS WITHDRAWN FROM KPSF OR PENSION FUNDS FOR ECONOMIC RECOVERY

Article 6 of the Law No. 07/L-016 on Economic Recovery – COVID 19, which supplements and amends the Article 8 of the Law No. 05/L - 028 on Personal Income Tax, determines that funds withdrawn from Kosovo Pension Saving Trust (KPST) or pension funds for economic recovery are incomes exempted from the Personal Income Tax Cite:

“1. In Article 8 of the Law No. 05/L -028 on Personal Income Tax (hereinafter the LPIT), a subparagraph with ordinal number 1.28. and the following text is added after subparagraph 1.27.:

1.28. Funds withdrawn from KPST or pension funds for economic recovery.”

Funds withdrawn from Kosovo Pension Saving Trust (KPST) or pension funds for economic recovery, for tax purposes are considered as incomes exempted from Personal Income Tax.

Kosovo Pension Saving Trust or pension funds for economic recovery, when paying the individual pension savings for economic recovery, are not withheld, i.e. the beneficiary receives the gross amount.

TAX TREATMENT OF SUPPLIES FROM HOTELS, RESTORANTS AND FOOD SERVICES

Article 7 of the Law No. 07/L-016 on Economic Recovery – COVID 19, which supplements and amends Article 26 of the Law No. 05/L-037 on Value Added Tax, determines that a reduced VAT rate of 8% is applied to supplies from hotels, restaurants and food services. Cite:

“1. In Article 26 of the Law No. 05/L-037 on Value Added Tax (hereinafter the LVAT), a new paragraph with ordinal number 2.14 and following text is added after subparagraph 2.13:

2.14. supplies from hotels, restaurants and food services.”

Every taxable person registered for VAT, for supplies of goods and services in hotel, restaurant and food service activity, applies the reduced VAT rate of eight percent (8%). Taxable person registered for VAT, for purchases of goods and services, which it uses for making supplies for hotels, restaurants and food services, is entitled to deductible VAT.

VAT of eight percent (8%) is applied for such transactions for the period from 07.12.2020 to 31.12.2021. After this date, these supplies are taxed based on the rates determined in the Law on Value Added Tax in force.

TAX TREATMENT OF INSURANCE AND REINSURANCE TRANSACTIONS IN AGRICULTURE

Article 7 of the Law No. 07/L-016 on Economic Recovery – COVID 19, which supplements and amends Article 28 of the Law No. 05/L-037 on Value Added Tax, determines that insurance and reinsurance transactions in agriculture, for agricultural insurance policies for agricultural crops, based on the criteria set in the Decision of the Minister of Agriculture, are treated as supplies exempted from VAT, without the right to deductible VAT. Cite:

“2. In Article 28 of LVAT, a new paragraph with ordinal number 1.13 and the following text is added after subparagraph 1.12:

1.13. insurance and reinsurance transactions in agriculture, for agricultural insurance policies for agricultural crops based on the criteria set in the Decision of the Minister of Agriculture. The Minister of Finance determines the procedures and criteria for implementation of this Law.”

Every taxable person registered for VAT, for insurance and reinsurance transactions in agriculture, for agricultural insurance policies for agricultural crops, applies no VAT during their supply, provided that the criteria set in the Decision of the Minister of Agriculture are met. The taxable person registered for VAT, for purchasing goods and services, which it uses for making the insurance and reinsurance transactions in agriculture, for agricultural insurance policies for agricultural crops, is not entitled to deductible VAT.

No VAT will be applied to such transactions for the period from 07.12.2020 to 31.12.2021. After this date, these supplies will be taxed according to the rates set in the Law on Value Added Tax in force.

TAX TREATMENT OF THE RAW MATERIAL PRODUCED IN KOSOVO

Article 7 of the Law No. 07/L-016 on Economic Recovery – COVID 19, which supplements and amends Article 31 of the Law No. 05/L-037 on Value Added Tax, determines that the raw material produced by business activities registered and active in the Republic of Kosovo, whether exported abroad or not, is exempted from VAT. Cite:

“3. In Chapter X “exemptions in export”, Article 31, paragraph 1., of the Law No. 05/L-037 on Value Added Tax, a new subparagraph 1.6 is added after paragraph 1.5, with the following text:

1.6. The raw material produced from business activities registered and active in the Republic of Kosovo, whether exported abroad or not, are exempted from VAT.”

Exemption from VAT is allowed only for businesses conducting the production activity.

In order to benefit from this exemption, the production company should file an application with the Tax Administration, namely Commission for exempting the raw material from VAT.

The application should include:

- Application for exemption from VAT;
- Business Registration Certificate with information on production activity;
- VAT Registration Certificate (in case of VAT Filer);
- Annual production plan;
- Normative with specifics for each element used in the production process, by identifying the final product with its technical specifics, etc. The relevant Commission in TAK should be informed of any change in relation to the normative.

The Application for exemption from VAT when purchasing the raw material in Kosovo should be submitted to the TAK Headquarters, addressed to the relevant Commission.

Tax Administration will review and issue a decision on the application of the Applicant within fifteen (15) days from its receipt.

In case of rejection, the taxpayer is entitled to appeal according to the Law on Tax Administration and Procedures.

The producer, when purchasing the raw material, should present to the seller the decision issued by TAK. The supplier (seller) should have a copy of the decision issued by TAK, attaching it to the invoice issued for the purchaser of goods.

Based on the decision approving the exemption from VAT, the supplier will exempt goods from VAT when sold to the producer.

EXEMPTION FROM INTEREST

Article 9 of the Law No. 07/L-016 on Economic Recovery – COVID 19, which supplements and amends Article 28 of the Law No. 03/L-222 on Tax Administration and Procedures, supplemented and amended by the Law No. 04/L- 102 and Law No. 04/L-223, determines that taxpayers with outstanding tax obligations incurred from 01.01.2020 shall be exempted from the interest if they pay all base tax obligations by 31.12.2020, based on the Agreement with TAK for payment of obligations. Cite:

“1. In Article 28 of the Law No. 03/L-222 on Tax Administration and Procedures, supplemented and amended by the Law No. 04/L-102, Law 04/L-115 and Law No. 04/L-223, a new paragraph with ordinal number 8 and following text shall be added after paragraph 7:

8. Exceptionally from other provisions of this Article, the taxpayers with outstanding tax obligations incurred from 01.01.2020 shall be exempted from the interest if they pay all base tax obligations by 31.12.2020, based on the Agreement with TAK for payment of obligations.”

All natural and legal persons, who have outstanding obligations to TAK for the period January - December 2020, will be exempted from interest payment, provided that the same, for the abovementioned period, make full payment of the base tax (principal) by 31.12.2020.

All self-assessments made by the taxpayer, as well as assessments from TAK, for all types of taxes and contributions for the period January - December 2020 will be considered exempted from the interest, provided that the taxpayers make the full payment of the base tax (principal) for this period by 31.12.2020.

Taxpayers who have concluded agreement with TAK for payment with instalments of tax obligations for the period January - December 2020, provided that the taxpayer makes the full payment of the base tax (principal) for this period by 31.12.2020.

Also, even in cases when the taxpayers have or conclude agreement with TAK for payment of tax obligations with instalments for the periods before and during 2020, the exemption from interest will be applied only for the period January - December 2020, provided that the taxpayer makes the full payment of base tax (principal) for this period by 31.12.2020.

Only the taxpayers fulfilling the obligation required by 31.12.2020 will benefit from the exemption from interest.

Taxpayers benefiting exemption from interest according to the Law No. 07/L-016 on Economic Recovery – COVID 19, will not be entitled to exemption from penalties. Penalties will be treated according to the Law on Tax Administration and Procedures.

Taxpayers paying the base tax (principal) for the period January - December 2020 will be automatically exempted from the base tax (principal), i.e. the taxpayer is not obliged to apply for exemption from interest.

ENTRY INTO FORCE

This Public Explanatory Decision enters into force on the date of signature by the Director General of Tax Administration of Kosovo.

Date: 11/12 /2020

