FARMERS SEMINAR

TAX COMPLIANCE

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Purpose of the topic

- Informing farmers regarding tax compliance.
- More specifically, this seminar will provide detailed clarifications on how and when farmers must fulfill their tax obligations, as well as when it is considered that farmers develop economic activity and must be registered as a business with the Kosovo Business Registration Agency (KBRA).
For the purpose of this seminar - definitions:

For the purpose of this seminar, the terms below shall have the following meaning:

- "Agricultural producer" - a person performing his own activity in the agricultural, forestry and fishing economy in Kosovo.
- "Agricultural, forestry or fishing enterprise" - an activity carried out by agricultural producers for production of agricultural products in Kosovo.
- "Agricultural product" - a plant or animal product, which is produced by an agricultural producer, in the framework of agricultural activities.
- "Goods", - means the products as defined in the term "agricultural product".
- "Certificate", means the person's registration document, who is provided with an identification number as a farmer, at the Ministry of Agriculture, Forestry and Rural Development.
Tax compliance by Farmers

- For the supply of goods made by agricultural producers, farmers, the buyer, namely the collector of such goods, is obliged to withholding tax for the amount of the payment.
- The buyer (taxable person) who buys goods from the agricultural producer, farmer, must issue a tax invoice to the seller (agricultural producer, farmer) that shows the value of the purchase of goods, on which he is obliged to withhold tax at source.
- Withhold tax is kept at the rate of 1% or 3% depending on the status of the buyer, namely the collector of goods. If the status of the buyer is a legal entity, withholding tax is at the rate of 1%, while if the status of the buyer is a natural business person (Individual business), withholding tax is at the rate of 3%.
Example:

- The agricultural producer, i.e. farmer, produces potatoes, which he sells to the business "X" LLC. The value of potatoes is EUR 200.00. The buyer, namely the business "X" LLC issues an internal invoice to the farmer for payment of EUR 200.00, and withholds tax of 1%, which is EUR 2, while the payment made to the agricultural producer - farmer is EUR 198.00.

- The agricultural producer, the farmer, produces potatoes, which he sells to the business "Filan Fisteku" I.B. The value of potatoes is EUR 200.00. The buyer, namely the business "Filan Fisteku" I.B., issues an internal invoice to the farmer for the payment of EUR 200.00, as well as withholds tax of 3%, which is EUR 6, while the payment made to the agricultural producer - farmer is EUR 194.00.
Farmer’s economic activity

- In cases when Farmers meet the criteria for developing an economic activity, they must register their business, whom for tax purposes are no longer considered agricultural producers, farmers, but are considered persons who conduct economic activity like any other business.

- Economic activity means: Any activity of producers, traders or persons who supply goods and services, including mining and agricultural activities, as well as activities of occupations. Exploitation on a continuous basis of tangible or intangible assets for the purpose of securing income in particular should be considered as an economic activity.
Types of businesses

The following types of businesses are registered in the Kosovo Businesses Registration Agency (KRBA):

- Individual Business – I.B.
- General Partnership - G.P.
- Limited Partnership – L.P.
- Limited Liability Company – L.L.C
- Joint Stock Company – J.S.C.
- Foreign company - "BRANCH IN KOSOVO“
- Social Enterprise – S.E.
- Public Enterprise – P.E.
- Agricultural Cooperative – A.C.
Categorization of types of businesses

Kategorizimi i llojeve të bizneseve

**Personat fizik**
(Bizneset Individuale)
Personat fizik japin përgjegjësi me tërë pasurinë e tyre

**Personat Juridik**
(Korporatat)
Personat juridik japin përgjegjësi vetëm me pasurinë e ndërmarrjes

Biznese Individuale, Ortolëritë

- Shoqëritë me Përgjegjësi të Kufizuar - SH.P.K.
- Shoqëritë Aksionare - SH.A
- Kompani e huaj "DEGA NË KOSOVË"
- Ndërmarrjet Shoqërore – N.Sh
- Ndërmarrjet Publike - N.P
- Kooperativat Bujqësore – K.B
Business registration

- The business registration application can be made at any of KBRA’s municipal center (One-Stop-Shop Center), depending on the headquarters or place of business of the company that applies for registration. Businesses that register in KBRA are provided with only a registration number, which will be a unique number. The Unique Business Registration Number is a nine-digit number, which begins with the first two digits 81....... (e.g. 810000123).

- No business registered in ARBK is required to be equipped with a Fiscal Number in TAK, since at the moment of being equipped with a Unique Registration Number in ARBK, it is considered that the business is also registered in TAK.

- The forms that must be completed for business registration can be downloaded from the ARBK website www.arbk.org
Registration and equipment with Fiscal Number

- Businesses that are registered in ARBK are not obliged to be provided with a Fiscal Number in TAK.

- Other persons who are not required to be registered in the KBRA, are provided with a Fiscal Number only at TAK, where they must first complete the Application for Fiscal Number.

Attention: The development of economic activity without being equipped with NUI, a penalty of 500 euros
Requirements for compliance with tax obligations

- Basic requirements for compliance with tax obligations:
  - Registration,
  - Documentation,
  - Declaration, and
  - Payment.

- Non-compliance can be from:
  - Errors caused by ignorance, or
  - Intentional fraud.
## Applicable Tax Laws

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of the Law</th>
<th>No. of the Law</th>
<th>No. of the Administrative Instruction</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Law on Tax Administration and Procedures</td>
<td>No. 03/L-222</td>
<td>No. 15/2010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No. 04/L-102</td>
<td>No. 03/2016</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No. 04/L-223</td>
<td>No. 02/2019</td>
</tr>
<tr>
<td>2</td>
<td>Law on Value Added Tax - VAT</td>
<td>No. 05/L-037</td>
<td>No. 03/2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>No. 06/2016</td>
</tr>
<tr>
<td>3</td>
<td>Law on Personal Income Tax - PIT</td>
<td>No. 05/L-028</td>
<td>No. 01/2016</td>
</tr>
<tr>
<td>4</td>
<td>Law on Corporate Income Law - CIT</td>
<td>No. 06/L-105</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Law on Pension Contributions - PC</td>
<td>No. 04/L-168</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>No. 04/L-101</td>
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<tr>
<td></td>
<td></td>
<td>No. 05/L-116</td>
<td></td>
</tr>
</tbody>
</table>
## Tax rates

<table>
<thead>
<tr>
<th>Type of tax</th>
<th>Turnover</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Added Tax - VAT</td>
<td>Over 30,000 euros</td>
<td>8% and 18%</td>
</tr>
<tr>
<td>Corporate Income Tax - CIT</td>
<td>Below the threshold for real taxation (30,000 euros)</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>Corporate Income Tax - CIT</td>
<td>Above the threshold for real taxation (30,000 euros)</td>
<td></td>
</tr>
<tr>
<td>Personal Income Tax - PIT</td>
<td>Below the threshold for real taxation (50,000 euros)</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9%</td>
</tr>
<tr>
<td>Personal Income Tax - PIT</td>
<td>Above the threshold for real taxation (50,000 euros)</td>
<td></td>
</tr>
<tr>
<td>Withholding tax on salaries (monthly)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Monthly income from 0 to 80</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td>Monthly income from 80 - 250</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>Monthly income from 250 - 450</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td>Monthly income from 450 and up</td>
<td>10%</td>
</tr>
<tr>
<td>Tax on rent</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>Withholding tax on rent</td>
<td></td>
<td>9%</td>
</tr>
<tr>
<td>Withholding tax on interest</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>Withholding tax on property rights</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>Withholding tax for specific categories</td>
<td>Depending on the status of the business</td>
<td>1% or 3%</td>
</tr>
<tr>
<td>Withholding tax for non-residents</td>
<td></td>
<td>5% or METD</td>
</tr>
</tbody>
</table>
Creating and maintenance of records

- Requests for Books and Records;
- Registration of goods;
- Origin of the goods;
- Receipts and cash register coupons;
- Fiscal Electronic Equipment (PEF);
- Transactions over €500.
Requests for books and records

- Books and records are kept in writing or in electronic form.

- For businesses with a turnover below €50,000 (PIT) and €30,000 (CIT), the minimum books and records that must be kept are:
  - Purchase book,
  - Sales book,
  - Cash register book,
  - Bank statements,
  - Main Account (opening balance, capital additions, depreciation, closing balance),
  - Financial statements and balance sheet,
  - Copies of supporting documents for book entries,
  - Registration of goods,
  - Book of employees, etc.

  - Purchase and sale invoices must be registered within 5 days
  - Cash purchases and cash sales should be recorded on a daily basis.
  - The start number and end number of each daily sales coupon must be entered in the sales log.
Requests for Books and Records

- Businesses with an annual turnover above the limit for real income taxation (50,000 euros for PIT and 30,000 euros for CIT) and those that voluntarily choose to declare on a real basis, must keep records according to the Accounting Standards of Kosovo (ASK), as:

  - Purchase book, in which all purchases and returns must be recorded;
  - Sales book, in which all sales and sales returns must be recorded;
  - Cashier book, in which all entries and exits to the cash register must be recorded;
  - Employee book, in which the employees are registered, if any;
  - Bank reports, including records of deposits and withdrawals;
  - Main account, if applicable, including opening balance, capital gains, capitalized expenses, depreciation rate, depreciation amount, sales and closing balance;
  - Financial statements;
  - Copies of documents;
  - Copy of contracts and other relevant business correspondence;
  - Registration of goods, etc.
Origin of the goods

Paragraph 5 of Article 13 of Law No. 03/L-222 stipulates that goods in the possession of a taxpayer must be documented on origin, such as:

- Goods in stock;
- Goods during transport;
- Goods during street sales;
- Goods on consignment, etc..
Documents on the origin of the goods

- Unique Customs Document (DUD);
- Transport Document;
- Invoice with VAT;
- Invoice without VAT;
- Tax certificates / Vouchers / Receipts.
Creating and maintenance of records

Article 13 of the Law 03/L-222 defines, among other things:

- The 6-year period of record keeping after the period when the tax liability arises;
- Any transaction over €500 between persons involved in economic activity must be done through a bank account.
Invoices and cash registration coupons

- All persons who supply goods or provide services in facilities, units or places accessible to the public, in retail or wholesale trade, when no invoice must be issued in accordance with the applicable legislation, paid by bank transfers, they are forced to use PEF, FCR or FPRN and other mandatory devices.
Invoices and cash registration coupons

- Each person engaged in retail sales must enter that transaction in a cash register.
- To claim as an expense in PIT and CIT, the cash register coupon must be accompanied by the invoice.

Given the requirements to document the origin of goods, a person making purchases at retail must possess the cash register receipt.
Transactions over €500

- For transactions between taxable persons, payment must be made through the bank account, regardless of whether payment is made in installments.

- For exchange transactions that have a value of more than 500 euros, payment must be made by bank transaction.
Allowed expenses and credits

- The taxpayer is allowed to deduct expenses paid or incurred during tax period, which are related to the economic activity, from the gross income;
- To allow such expenses/credits, they must be supported by evidence including, but not limited to the following:
  - Invoices on which the fiscal number of the seller/provider must be presented
  - Contracts;
  - Customs statements,
  - Coupons in which the Fiscal Number of the seller/provider must be presented;
  - Payment documents;
  - Bank documents;
  - Payroll records;
  - Tickets;
  - Receipts;
  - Transfer order;
  - Other relevant documents.
Statement and corrections

▪ Any person who is subject to any type of tax according to applicable legislation in Kosovo shall submit to TAK or its agent a completed statement according to the requirements of this law;

▪ The obligation to complete and submit the Tax Declaration as well as its content;

▪ Self-assessment of tax liability and its correction no later than six (6) years after the mandatory date from when the declaration was originally submitted;
## Declaration deadlines and tax payment

<table>
<thead>
<tr>
<th>Nr.</th>
<th>The name of the form</th>
<th>Abbreviations</th>
<th>Declaration deadline</th>
<th>Method of declaration</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Quarterly statement on rent and intangible assets</td>
<td>IR</td>
<td>From the 1st to the 15th of each quarter</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>2</td>
<td>Quarterly statement of advance payment for large individual businesses</td>
<td>IL</td>
<td>From the 1st to the 15th of each quarter</td>
<td>Electronic (EDI)</td>
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<tr>
<td>3</td>
<td>Quarterly statement of tax and contributions for small individual businesses</td>
<td>IS</td>
<td>From the 1st to the 15th of each quarter</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>4</td>
<td>Monthly statement of withholding tax on salaries and pension contributions</td>
<td>WM/CM</td>
<td>From the 1st to the 15th of every month</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>5</td>
<td>Monthly statement of withholding tax and payment of tax on interest, property rights, rent, lottery and gambling winnings and non-resident person</td>
<td>WR</td>
<td>From the 1st to the 15th of every month</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>6</td>
<td>Quarterly statement of tax payment for small corporations</td>
<td>QS</td>
<td>From the 1st to the 15th of each quarter</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>7</td>
<td>Quarterly statement of advance payment for large corporations</td>
<td>QL</td>
<td>From the 1st to the 15th of each quarter</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>8</td>
<td>Annual Declaration Form and payment for Corporate Income Tax</td>
<td>CD</td>
<td>From January 1 to March 31</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>9</td>
<td>VAT declaration and payment form</td>
<td>TV</td>
<td>From the 1st to the 20th of every month</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>10</td>
<td>Annual Declaration Form and payment for Personal Income Tax</td>
<td>PD</td>
<td>From January 1 to March 31</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>11</td>
<td>Request for Refund / Return</td>
<td>KRR</td>
<td>From the 1st to the 20th of every month or quarter</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>12</td>
<td>Partnership Income Tax Statement</td>
<td>DO</td>
<td>From January 1 to March 31</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>13</td>
<td>Purchase book declaration</td>
<td>LB</td>
<td>From the 1st to the 20th of every month</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>14</td>
<td>Sales book declaration</td>
<td>LSH</td>
<td>From the 1st to the 20th of every month</td>
<td>Electronic (EDI)</td>
</tr>
<tr>
<td>15</td>
<td>Declaration of the report of purchases over €500</td>
<td>RR</td>
<td>From January 1 to March 31</td>
<td>Electronic (EDI)</td>
</tr>
</tbody>
</table>
Tax payments

- Any tax that must be paid is considered a debt to TAK;
- Tax payment will be made at the place and time determined by TAK;
- With this law, the obligation to withhold tax and pension contribution is established, both for workers and those self-employed;
- All taxes will be paid to the bank or other financial institutions, licensed by the Central Bank of the Republic of Kosovo (CBK).
# Penalties

<table>
<thead>
<tr>
<th>REASON</th>
<th>PENALTY</th>
</tr>
</thead>
<tbody>
<tr>
<td>When a person performs an economic activity without obtaining a fiscal certificate or without being registered, a penalty is applied:</td>
<td>500€</td>
</tr>
<tr>
<td>When a person does not submit a tax return by the required date, a penalty is applied:</td>
<td>5% of the unpaid tax for each month or part of the month for which it is delayed, with a maximum administrative penalty for payment of 25% of the tax liability.</td>
</tr>
<tr>
<td>When a person does not pay the tax by the required date, a penalty is applied:</td>
<td>1% of the tax liability for each month or part of the month for which that payment is delayed, up to a maximum of 12 months. This penalty is not applied for any month or part of the month when the penalty for not submitting the statement was applied.</td>
</tr>
</tbody>
</table>
## Penalties

When a person under-declares the amount of tax liability or over-declares the amount of a tax refund, a penalty applies:

- 15% of the difference between the correct amount of tax to be declared and the amount actually declared where such under-declaration or over-declaration is up to 10% or less; or
- 25% of the difference between the correct amount of tax that should have been declared and the amount actually declared where such under-declaration or over-declaration is more than 10% of the correct amount of tax.

When a person is required to submit a statement of information to TAK and who does not do so by the mandatory date or who submits an incorrect or incomplete statement, a penalty is applied:

- €125 for each undelivered statement, for each incorrect or incomplete statement, up to a maximum of €2,500.
## Penalties

When a person does not keep records or does not include the fiscal number/Unique Business Registration Number on coupons and invoices issued, a penalty applies:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>€125 for taxpayers with an annual turnover of up to €30,000;</td>
<td></td>
</tr>
<tr>
<td>€250 for taxpayers with annual turnover from €30,000 to €200,000;</td>
<td></td>
</tr>
<tr>
<td>€500 for the taxpayer with annual turnover from €200,000 to €500,000;</td>
<td></td>
</tr>
<tr>
<td>€1,000 for taxpayers with an annual turnover of over €500,000.</td>
<td></td>
</tr>
</tbody>
</table>

When a person does not provide TAK access to books and records, a penalty is applied:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>€100 for each day of non-appearance after the deadline set by TAK.</td>
<td></td>
</tr>
</tbody>
</table>

When a taxpayer, who is obliged to withhold or has not paid the tax withheld, a penalty is applied:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% on the difference between the correct amount of tax required to be paid and the amount of tax actually paid.</td>
<td></td>
</tr>
</tbody>
</table>
## Penalties

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>When a person does not hand over or refuses to hand over property subject to confiscation, a penalty applies:</td>
<td>50% of the discovered amount.</td>
</tr>
<tr>
<td>When a person does not set aside money as required by law, a penalty applies:</td>
<td>Equal to the amount of money in question.</td>
</tr>
<tr>
<td>When a person signs a tax return on behalf of another person who makes a mistake on that return, a penalty applies:</td>
<td>125€</td>
</tr>
<tr>
<td>When a person is obliged to be equipped with Fiscal Electronic Equipment and does not install it, a penalty is applied:</td>
<td>Three or more times for not installing PEF (penalty according to circulation), and steps will be taken to cancel the fiscal number and VAT certificate, if applicable, followed by a request to deregister the business from the Business Registration Agency.</td>
</tr>
</tbody>
</table>
## Penalties

<table>
<thead>
<tr>
<th>When a person tries to manipulate or interfere with the programming of the Electronic Fiscal Device or the data to be entered in the PEF, a penalty applies:</th>
<th>That person will be subject to prosecution for a criminal offense according to the Criminal Code of the Republic of Kosovo.</th>
</tr>
</thead>
<tbody>
<tr>
<td>When a person makes taxable sales without being registered for VAT, a penalty applies:</td>
<td>• 15% of the VAT liability if taxable sales are less than €10,000; • 25% of the VAT liability if the taxable sales are more than 10,000€.</td>
</tr>
<tr>
<td>Where a person fails to issue a VAT invoice, or other document serving as an invoice or which issues an incorrect invoice, a penalty applies:</td>
<td>• 15% of the obvious reduction or increase of the mandatory VAT amount, where the failure to issue a VAT invoice or the issuance of an incorrect invoice was due to the carelessness of the taxable person; • 25% of the obvious reduction or increase of the amount of mandatory VAT, where the non-issuance of a VAT invoice or the issuance of an incorrect invoice was due to gross negligence, and that not issuing an invoice for a taxable supply is more than €1,000 or issuing an incorrect invoice that is more than €500 above or below the amount that should have been included in the invoice) of the taxable person.</td>
</tr>
</tbody>
</table>
## Penalties

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Penalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>When a person does not display the VAT certificate, a penalty applies:</td>
<td>125€</td>
</tr>
<tr>
<td>Where a VAT registered person allows another person to use their unique</td>
<td>€5,000 and prosecution by the Tax Investigation Unit.</td>
</tr>
<tr>
<td>VAT certificate, a penalty applies:</td>
<td></td>
</tr>
<tr>
<td>When a person uses a VAT certificate belonging to someone else, a penalty</td>
<td>€5,000 and prosecution by the Tax Investigation Unit.</td>
</tr>
<tr>
<td>applies:</td>
<td></td>
</tr>
<tr>
<td>When a person engaged in economic activity possesses goods without origin</td>
<td>25% of the market value of those goods.</td>
</tr>
</tbody>
</table>
Reduction of sanctions

- Before the audit, no more than 25% of the applicable penalties;
- After the start and before the end of the audit, no more than 50% of the applicable penalties;
- If the taxpayer enters into the agreement and adheres to it, then the penalty for non-payment will be reduced to 2%, while the interest remains payable;
- If the person proves reasonable causes, good faith, TAK can reduce or remove any penalty assessed as appropriate;
- The review will be done by the commission which will be set up by the general director.
Complaints Department

- First level of taxpayer complaints against TAK assessment;
- The complaint is made no later than 30 days after receiving the assessment with the possibility of extension, if there are reasons;
- The person bears the burden of proof;
- Decision of the Complaints Department within 60 days after receiving the complaint;
- The decision of the Appeals Department is the final assessment of TAK and binding on TAK;
- The taxpayer who does not agree with the decision of the Complaints Department can submit the complain to the Fiscal Division of the Administrative Department of the Basic Court of Pristina, 30 days after receiving the decision issued by the Complaints Department.;
- If the Complaints Department does not issue a decision within 60 days, the Taxpayer can complaint directly to the Fiscal Division of the Administrative Department of the Basic Court of Pristina.
Taxpayer's Advocate

- The Taxpayer's Advocate was established within TAK, in order to protect the rights of taxpayers defined by the Law, as well as assist taxpayers in resolving problems and issues they claim were not handled fairly or in a timely manner.

- The Taxpayer's Advocate will provide additional opportunities/sources of assistance so that taxpayers can address their concerns/problems, as well as other issues that may be encountered during the implementation of tax legislation by TAK officials.
What is VAT?

- Consumption tax
- Paid by the end customer
- VAT basis
- Indirect tax
- It is collected through self-declaration
- How is VAT determined for payment or refund?
Object of taxation

- Supply of goods / services;
- Made for consideration;
- Within the territory of Kosovo;
- From the taxable person.
Identification of VAT taxpayers - Taxable persons

- Natural or legal person;
- Develops "independent" economic activity in Kosovo;
- Turnover over 30,000 euros within the calendar year;
- Voluntary declarants;
- Non-resident persons.
VAT registration

- Turnover within the calendar year exceeds €30,000;
- Voluntary declarants;
- Application for VAT registration - Electronic registration;
- Mandatory registration;
- Has Fiscal Number/Unique Identification Number;
- Exhibition of VAT certificate.
The moment of the rise of the obligation and charging with VAT for the supply of goods/services

General rules:

- Supply of goods or services;
- Issuance of invoice related to the goods/services;
- Acceptance of payment in advance.
Taxable amount

- The taxable amount for the supply of goods and services - The taxable amount for the supply of goods and services includes everything that constitutes the consideration received or to be received by the supplier in advance of that supply and includes: taxes, duties, fees and commissions excluding VAT, incidental expenses, packaging, transport, insurance, etc.;

- Taxable amount related to the import of goods and services - Taxable amount related to the import of goods must be the value for customs purposes, determined by the applicable customs legislation in Kosovo.
Tax rates

- Standard VAT rate - 18%
- Reduced VAT rate - 8%
Flat VAT rate for Agricultural Producers

- The Flat VAT rate for Agricultural Producers is regulated by Administrative Instruction No. 03/2015 issued by the Ministry of Finance;

- The purpose of this Administrative Instruction is to apply a flat rate for farmers in accordance with Article 60 of the Law No. 05/L-037 on Value Added Tax in the Republic of Kosovo.
Subject of the scheme - Flat rate

- The flat rate scheme applies to agricultural producers for whom inclusion in the normal VAT regime would create difficulties. These producers, within their production activity defined under Article 8 of this Administrative Instruction, supply agricultural products to a taxable person, who does not benefit from the flat rate scheme in the Republic of Kosovo.

- Any agricultural producer who applies the flat rate regime can opt to apply a normal VAT regime, with a standard rate of 8%.
Conditions to benefit from the flat rate scheme for agricultural producers

The agricultural producers benefit from the right of applying the flat rate if:

- Their annual turnover does not exceed the VAT registration threshold, according to Law No. 05/L-037 on Value Added Tax;
- They supply goods of agricultural origin, under one of the activities defined according to the Administrative Instruction.
- Goods are supplied to taxable persons who do not benefit from the flat rate scheme of VAT in the Republic of Kosovo.
- Are equipped with a certificate issued by the Ministry of Agriculture, Forestry and Rural Development, on the basis of which its agricultural production activity is certified.
Flat rate scheme

- The flat rate for agricultural producers is 8%.
- Calculation for agricultural producers is made by the buyer - taxable person, against completed supplies of goods.
- The flat rate will be considered within the estimated purchase price of the goods.
Scheme implementation method

- The buyer (taxable person) who buys goods from an agricultural producer, in order to apply the flat rate scheme, must issue a tax invoice to the seller (agricultural producer) which shows the value of the purchase of goods on which the VAT has been calculated.

- VAT calculated within the value of goods that the taxable person (buyer) has paid to the agricultural producer (seller) is VAT deductible for the taxable person, according to the terms of Article 36 of the Law No. 05/L-037 on Value Added Tax.
Content of the invoice issued by the taxable person to the agricultural producer

- Issue date;
- Time of supply;
- Serial number that allows identification of the invoice;
- VAT registration number and fiscal number with which the taxable person supplies goods or services;
- Full name and address of the taxable person;
- Full name, address, number of the certificate issued by MAFRD and tax identification number of the "agricultural producer";
- Description, quantity and measuring unit of the goods;
- The value of goods purchased excluding VAT;
- The amount of estimated VAT and,
- The total amount for payment including VAT;
- The invoice must be signed by both parties, the seller and the buyer.
List of agricultural products included in the scheme

The list of products to which flat rate scheme applies is as follows:

- **Agricultural products:**
  - General primary agricultural products;
  - Ornamental, aromatic, medicinal, natural and greenhouse plants;
  - Production of mushrooms and mountain fruit;
  - Production of seedlings (cultivation of new trees and vegetables for sale) and seeds.

- **Livestock products:**
  - Milk and milk by-products;
Example – flat rate application

- The taxable person "M" (agricultural enterprise) bought 100 units of agricultural products from the agricultural producer "N" at a price of €10/per unit, while the same, after processing, sells them at a price of €11/per unit.
Upon purchase

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Compensation rate: 8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Quantity</strong></td>
<td>a</td>
<td>100</td>
</tr>
<tr>
<td><strong>Price per unit</strong></td>
<td>b</td>
<td>10 €</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td>c</td>
<td>1,000.00 €</td>
</tr>
<tr>
<td><strong>Compensated VAT</strong></td>
<td>d</td>
<td>74.07 €</td>
</tr>
<tr>
<td><strong>Price excluding VAT</strong></td>
<td>e</td>
<td>925.93 €</td>
</tr>
</tbody>
</table>
Upon sale by the Taxable Person

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quantity</strong></td>
<td>a</td>
<td>100</td>
</tr>
<tr>
<td><strong>Selling price including VAT</strong></td>
<td>b</td>
<td>11 €</td>
</tr>
<tr>
<td><strong>Amount including VAT</strong></td>
<td>c = a x b</td>
<td>1,100.00 €</td>
</tr>
<tr>
<td><strong>VAT rate</strong></td>
<td>d</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Calculated VAT</strong></td>
<td>e = c / 13.5</td>
<td>81.48 €</td>
</tr>
<tr>
<td><strong>Amount excluding VAT</strong></td>
<td>f = c - e</td>
<td>1,018.52 €</td>
</tr>
</tbody>
</table>
Impact on VAT (on the taxable person)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculated VAT</td>
<td>a</td>
<td>81.48 €</td>
</tr>
<tr>
<td>Deductible VAT</td>
<td>b</td>
<td>74.07 €</td>
</tr>
<tr>
<td>VAT to be paid</td>
<td>c= a-b</td>
<td>7.41 €</td>
</tr>
</tbody>
</table>
Impact on Income Tax on the Taxable Person

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from the sale</td>
<td>a</td>
</tr>
<tr>
<td>CGS</td>
<td>b</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>c = a - b</td>
</tr>
</tbody>
</table>
Impact on Income Tax to the Agricultural Producer

| Income for the agricultural producer | 1,000 € |

- Income for the agricultural producer will be considered in the amount of 1,000 euros and will be treated according to the Law on Personal Income Tax - PIT.
Persons liable to pay VAT

- A person who conducts taxable supply of goods/services, except for the application of the reverse charge
- A person who presents VAT on an invoice
- In imports
- A person who clears goods from customs warehouses, etc.
- Name of tax representative
Tax period for VAT

- Calendar month
- Period for the person when he/she registers for VAT
- Period for the person when he/she is deregistered from VAT
Submission of tax statement and VAT payment

- The tax statement is considered an assessment made by the taxpayer himself/herself
- Delivery deadline
- Place for the submission of the statements
- Place of tax liability payment
Who are taxpayers for Personal Income Tax (PIT)?

According to Article 3 of the Law No. 05/L-028 on PIT, taxpayers are the following:

- Resident and non-resident natural persons,
- Personal business enterprise,
- Partnerships and Associations, which receive or generate gross income.
Who are taxpayers on Corporate Income Tax (CIT)?

According to Article 4 of the Law No. 06/L-105 on VAT, taxpayers are the following persons:

- A corporation or any other business enterprise that has the status of a legal person according to the applicable law in Kosovo;
- A commercial company operating with socially or publicly owned property;
- An organization registered as a non-governmental organization under the legislation regulating registration and operation of NGOs, in Kosovo.
- Non-resident person with permanent establishment in Kosovo, subject to paragraph 2 of article 5 of this Law.
Subject of taxation

- The subject of tax for **resident** taxpayer is taxable income with a source in Kosovo and outside Kosovo;

- The subject of the tax for **non-resident** taxpayer is taxable income sourced in Kosovo.
### Tax rates in PIT

Personal Income Tax is charged according to the following rates:

<table>
<thead>
<tr>
<th>Tax rate</th>
<th>Monthly income</th>
<th>Yearly income</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>0 to 80</td>
<td>0 to 960</td>
</tr>
<tr>
<td>4%</td>
<td>80 to 250</td>
<td>960 to 3000</td>
</tr>
<tr>
<td>8%</td>
<td>250 to 450</td>
<td>3000 to 5400</td>
</tr>
<tr>
<td>10%</td>
<td>450 onwards</td>
<td>5400 onwards</td>
</tr>
</tbody>
</table>
Gross income

- Salaries;
- Income from business activities;
- Dividends;
- Interests;
- Rent;
- Earnings from games of chance;
- Earnings from copyright;
- Pensions;
- Capital gains;
- Any other income that increases a taxpayer's net worth.
Personal income from business activities

- Gross income from business activities means gross receipts generated by a person or entity, with the exception of legal entities for the purposes of this law, engaged in such activities.
- Businesses with annual gross income >€50,000 (PIT); €30,000 (CIT), or those who opted to keep books and records according to real income taxation, income must be reported in the tax period during which it was received or accrued (arose).
- Businesses with annual gross income <€50,000 (PIT); €30,000 (CIT), and less, will report income from business activities in the tax period in which that income is actually or constructively received.
Generally about expenses

- Expenses generated that are related to the economic activity.
- The taxpayer is allowed to deduct expenses from gross income made entirely and exclusively for economic purposes, as well as certain limitations that will be explained below.
Allowable business expenses

- Deductions for expenses on rent, real or 10% of gross rent
- Deductions for pension contributions
- Deductions for expenses related to income on the use of intangible property
- Deductions for charitable contributions
- Loss carried forward
- Depreciation
- Amortization
- Other allowable deductions - such as bad debt, entertainment expenses, research and development expenses.
Depreciation

- Every year, assets partially lose their original value due to physical or economic wear and tear. This loss of value, namely the physical or economic consumption that these assets suffer, is called depreciation.
## Depreciation methods

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category 1 – 5%</td>
<td>Buildings and other construction structures.</td>
</tr>
<tr>
<td>Category 2 – 20%</td>
<td>Vehicles and light trucks, heavy transport vehicles, earthmoving equipment, bulldozers, earth diggers and other heavy equipment, computers, computer accessories and other data processing equipment, mobile and office equipment, instruments, various things and other additional equipment; and livestock used for production or breeding.</td>
</tr>
<tr>
<td>Category 3 – 10%</td>
<td>Plants and machinery; railway inventory and locomotives used for railway transport; airplanes; vessels and perennial plants and shrubs used for viticulture or fruit production such as apples, pears, walnuts, blueberries and others; and all tangible assets that are not included in category 1 or category 2.</td>
</tr>
</tbody>
</table>
Depreciation Methods

- Linear method - all depreciating property is assigned to one of the following categories:
  - First category 5%
  - Second category 20%
  - Third category 10%
Biological assets depreciation

- Depreciation of biological assets is allowed only if they were used in the course of an economic activity (Article 21 of the Law on PIT/Article 17 of the Law on CIT).
- AI 01/2016 on CIT, Article 25.
- Depreciation of biological assets is done according to Article 20, paragraph 3, sub-paragraph 3.2 of the Law.
- Depreciation deduction is not allowed for the following:
  1. Livestock raised by the taxpayer - in this case, there is no depreciation basis as the cost of raising this livestock has already been deducted.
  2. Livestock purchased for resale - in this case, they are recorded as part of the taxpayer's inventory and deductions allowed as cost of goods sold.
- Livestock that were not purchased for resale with a purchase cost of one thousand (1,000) euros or less are current expenses in the year of purchase, except when they are part of a herd. In such cases, even though the value of the property is below one thousand (1,000) euros, it is subject to the depreciation procedure individually.
- The amount of depreciation is determined item by item. In the event that such assessment is impractical, impairment is made for a group of similar or related items.
Tax losses

- The negative difference between income generated by the business and allowable expenses within the tax period.
- Can be carried up to 6 periods (PIT); 4 consecutive periods (CIT) with accumulation from year to year.
- Maintaining the chronology of generation/loss deduction.
Ineligible expenses

- Land acquisition and improvement expenses;
- Expenses of assets that have been capitalized and depreciated;
- Fines, penalties;
- Income tax;
- Value Added Tax for which a taxpayer requests deduction or crediting;
- Any loss from the sale or exchange of property between related persons if it is not in accordance with the Market Value;
- Pension Contributions above the maximum amount allowed by law.
Ineligible expenses

- Expenses for gifts, except those with the name and logo of the business that fall under representation expenses;
- Losses, damages, expected losses and damages during production, transit and storage, beyond the norms defined in the special legal acts and by-laws;
- Benefits in kind in the form of food and transport, except when organized by the business;
- Expenses covered by grants, subsidies and donations in accordance with the rules and conditions of their benefits.
Withholding tax

- All natural business persons and legal entities are obliged to withhold tax for the payments they make: salaries and pensions, interest, property rights, rent, special categories and certain payments to non-residents, as defined in the Tax Legislation.
Withholding tax for specific categories

- **If the business status is that of a natural business person**, in case of purchase by a natural person, i.e. farmer, according to article 40 of the Law on PIT, it is mandatory to withhold tax at the rate of three percent (3%) in gross payment.

- **If the business status is that of a legal entity**, in the case of purchases by a natural person, i.e. farmer, according to Article 32 of the Law No. 06/L-105 on Corporate Income Tax, it is mandatory to withhold tax at the rate of one percent (1%) in gross payment.

- Tax returns and payment for Special Categories are made on a monthly basis with the Form – WR
Payment of tax for business activities

- Each taxpayer who realizes or accrues income from business activities pays the tax every three months to an account designated by the Tax Administration in a bank licensed by the CBK, no later than fifteen (15) days after the end of each calendar quarter (15 April, 15 July, 15 October, 15 January).
Taxpayers with annual gross income up to €50,000 (PIT) or €30,000 (CIT)

- Three percent (3%) of gross income from trade, transport, agriculture and similar economic activities of each quarter, but not less than €37.50 per quarter.

- Nine percent (9%) of gross income from services, professional, craft, entertainment and similar activities of each quarter, but not less than €37.50 per quarter.

- If a taxpayer has no income in a quarterly period, no payment is required, but the taxpayer must submit a quarterly installment declaration for the period even when there is no tax liability.
Taxpayers with annual gross income up to €50,000 (PIT) or €30,000 (CIT)

Advance instalments

For the delivery of advance instalments, there are criteria for the following years:

- The first year of business;
- Second year of business, onwards.
First year of business

- 1/4 of the total tax liability for the following tax period based on estimated taxable income and reduced by any amount withheld during the quarter;
- Payment in four instalments, where the payment of the fourth instalment covers 80% of the tax liability;

Taxpayers with annual gross income up to €50,000 (PIT) or €30,000 (CIT)
Taxpayers with annual gross income up to €50,000 (PIT) or €30,000 (CIT)

Second year of business onwards

The taxpayer can choose one of the following options:

- 1/4 of the total tax liability for the following tax period based on the estimated taxable income and reduced by any amount withheld during the quarter, or
- 110% of the tax liability from the previous year reduced by any amount withheld during the quarter.
Taxpayers with annual gross income up to €50,000 (PIT) or €30,000 (CIT)

Exemptions:

- The taxpayer who is in loss does not have the right of declaring as per the rules - the option 110% of the tax liability from the previous year, but must declare as if it were the first year of business.

- If a taxpayers is subjected to audit, whereby taxes for that year are corrected and deviation does not exceed 20% of the amount declared by the taxpayer, the exemption from the penalty is applied, while if the opposite occurs, the penalty is imposed.
Payment deadlines for advance instalments are up to the 15th of the following month after each quarter, as follows:

- Q1/20XX, from 01.04.20XX to 15.04.20XX
- Q2/20XX, from 01.07.20XX to 15.07.20XX
- Q3/20XX, from 01.10.20XX to 15.10.20XX
- Q4/20XX, from 01.01.20XX to 15.01.20XX

The deadline for submitting the Annual Declaration for Personal/Corporate income tax is from 1 January to 31 March of the year following the tax period.
Declaration of taxes through the Electronic System - EDI
Informative materials

All persons can be better informed about their tax obligations through informative materials, such as how to register, keep documentation, declare and pay taxes and contributions in accordance with current Tax Legislation.
Time for Questions and Answers
Thank you for your attention!

Visit the website of TAK

www.atk-ks.org