



**Republika e Kosovës**  
**Republika Kosovo - Republic of Kosovo**  
*Kuvendi - Skupština - Assembly*

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**Law No. 05/L -029**

**ON CORPORATE INCOME TAX**

**The Assembly of the Republic of Kosovo**

Based on Article 65 (1) of the Constitution of the Republic of Kosovo,

Approves

**LAW ON CORPORATE INCOME TAX**

**CHAPTER I**  
**GENERAL PROVISIONS**

**Article 1**  
**Purpose**

This Law shall set forth the Corporate Income Tax system in the territory of the Republic of Kosovo.

**Article 2**  
**Definitions**

1. For the purposes of this Law terms used below have the following meaning:

1.1. **Capital assets** - tangible or intangible property with a value more than one thousand (1,000) € with a service life of more than one (1) year;

1.2. **Entity** – another business corporate or organisation with the status of a legal person, business organisation operating with Publicly Owned or Socially Owned assets, Non-governmental Organisation registered according to the legislation on registration and the activity of Non-governmental Organisations in Kosovo and the permanent establishment of the non-resident person;

1.3. **Corporate** – the legal person, with an identity which is divided and differentiates from members, owners and shareholders. A business organisation, the capital of which is divided in a specified number of shares of the same par value. Shareholders are not obliged to the corporate obligations. A corporate may be, either a joint stock company or a limited liability company, indicated in their economic chart or in the company's name;

1.4. **Dividend** - a distribution made by a company to a shareholder, as follows:

1.4.1. Of cash or stock with respect to the shareholder's equity interest in the company; and

1.4.2. Of property other than cash or stock, unless the distribution is made as a result of liquidation.

1.5. **Economic activity** – every activity of producers, trade or persons supplying goods or services, including mine and agriculture activities, and the professional activities. In particular, constant exploitation of tangible and intangible properties in order to provide incomes shall be considered as an economic activity;

1.6. **Financial statements** - the financial statements prepared in accordance with the relevant legislation on accounting, financial reporting and auditing;

1.7. **Kosovo source income** – gross income that is generated in Kosovo;

1.8. **Foreign source income** - gross income that is not Kosovo source income;

1.9. **Gross income** - all income received or accrued, including but not limited to, income from production, trade, financial, investment, professional or other economic activities;

1.10. **Tangible property** – cash, equipment, machinery, plants, property – everything with longer-term physical existence or is appropriated for use in business operations and is not for sale to clients. In the business balance sheet, such assets are generally listed under the chapter “Plant and equipment” or “Plant, property and equipment”;

1.11. **Intangible property** - patents, copyrights, licenses, franchises, and other property that consists of rights only, but has no physical form;

1.12. **Market value** – means the complete amount to be paid by the consumer at the same market rate in which the supply of goods and services occurs, under the conditions of equal competition, for the supplier under the prevailing market within Kosovo where the

supply occurred, in order to obtain goods and services in question at that moment. When the comparison for the supply of goods and services cannot be provided for, the market value means the following:

1.12.1. in connection with goods, an amount which is not lower than the purchasing price of goods or similar goods or in absence of the purchasing price, the price of cost determined at the time of supply;

1.12.2. in connection with services, an amount which is not lower than the complete cost of the taxable person providing the service.

1.13. **Resident** – means:

1.13.1. a natural person with a main residence in Kosovo or has physically been present in Kosovo for over one hundred and eighty-three (183) days at any time period of (12) twelve months; or

1.13.2. an entity, personal business undertaking, partnership or a company of persons which has been established in Kosovo or its effective management location is in Kosovo.

1.14. **Non-resident** - any person or entity that is not resident in Kosovo;

1.15. **Permanent establishment** - a fixed place of business through which the business of a non-resident person is in whole or in part carried on in Kosovo, as is prescribed in Article 29 of this Law;

1.16. **Person** – for the purpose of this Law includes the following:

1.16.1. **Natural person** – for the purpose of this Law is considered the non-business natural person (without a registered business activity); and a business natural person (with a registered business based on the applicable legislation and conducting a regular business activity);

1.16.2. **Legal person** – business organisation established pursuant to respective legislation on Business Organisations, other persons established pursuant to this legislation, exercising profitable activity in the Republic of Kosovo, and other persons established or recognised as such under special laws;

1.16.3. **Partnership** – a General partnership, limited partnership or through similar agreements that is not a legal person and that proportionally divides the shares of the capital, the income and losses among the partners; and

1.16.4. **Grouping or a company of persons**, including Consortia, but excluding Partnerships, established for a joint purpose of a special economic activity. The company is comprised of two or more individuals, companies, organisations, or

governments, or any combination of these entities with the purpose of participation in a joint activity or a grouping of their sources for the achievement of a joint purpose. Each participant holds their separate legal status and the control of the company over each participant is generally limited in the activities including the joint endeavours, in particular, the sharing of profits. The company shall be established under a contract, which determines rights and obligations of each member;

1.17. **Public authority** - a central, regional, municipal, or local authority, public body, ministry, department, or other authority that exercises public executive, legislative, regulatory, administrative or judicial power;

1.18. **Related person** - persons that have a special relationship that may materially influence the economic results of transactions between them. Special relationship shall mean:

1.18.1. the persons are officers or directors of one another's business;

1.18.2. the persons are legal partners in business;

1.18.3. the persons are in an employer-employee relationship;

1.18.4. one person holds or controls fifty percent (50%) or more of the shares or voting rights in the other person's company;

1.18.5. one person directly or indirectly controls the other person;

1.18.6. both persons are directly or indirectly controlled by a third person; or

1.18.7. the persons are husband or wife, or relatives to the third degree inclusive, and relatives of the second degree of the husband or wife.

1.19. **Tax period** - the calendar year or any other reporting period foreseen under this Law;

1.20. **Real estate** – for the purposes of tax, means all land and buildings and all units under and over the land surface and related to land, including the assets which is an additional (subsidiary) to the real estate; rights to which the general legal provisions are applied to, which respects land assets; usufruct of real estate; and the rights in variable and fixed payments as consideration for working or the right to work, mine source, resources and other natural reserves;

1.21. **Royalty** – payments of any kind received as a consideration for use or the right of use, of any copyright of the literature, works of art or scientific work including cinematographic movies, and patents, trade name, design or the model plan, formulae or

the secret process, or for the information regarding the industrial, commercial or scientific experience;

1.22. **CBK**- Central Bank of Kosovo;

1.23. **Religious Communities**- foreseen by the Law on Freedom of Religion in Kosovo;

1.24. **Operating leasing** – every leasing which is not financial leasing;

1.25. **Financial leasing** – a leasing which substantially transfers all risks and occasional rewards to the property of an asset item. The title may or may not be transferred at the end of leasing;

1.26. **Sub-contractor** – any person carrying out a part of a project taken by the main contractor. The sub-contractor is directly engaged in the execution of the project and acts to the interest of the main contractor. The period spent by the sub-contractor acting in a comprehensive project is considered as the time spent by the main contractor in the project;

1.27. **Main contractor/ contractor** – any business, be it an organisation or individual, who complied with the discharge of operations under any legally binding document signed by the beneficiary, by carrying out its operations itself or engaging someone else on their behalf;

1.28. **TAK** – Tax Administration of Kosovo; and

1.29. **Minister** – Minister of Finances.

### **Article 3 Taxpayers**

1. The following persons shall be taxpayers under this Law:

1.1. corporation or other business organization that has the status of a legal person under the Law applicable in Kosovo;

1.2. business organization operating with public or socially owned assets;

1.3. organization registered as a non-governmental organization under relevant legislation on the Registration and Operation of Non-Governmental Organizations in Kosovo;

1.4. non-resident person with a permanent establishment in Kosovo, subject to provision of paragraph 2 of Article 4 of this Law;

**Article 4**  
**Object of taxation**

1. The object of taxation for a resident taxpayer shall be taxable income from Kosovo source income and foreign source income.
2. The object of taxation for a non-resident taxpayer shall be taxable income from Kosovo source income.

**Article 5**  
**Taxable income**

1. Taxable income for a taxable period shall mean the difference between the gross received income or generated during the tax period and allowable deductions according to this Law.
2. An exemption from paragraph 1 of this Article:
  - 2.1. any licensed business by CBK to insure or re-insure life, assets or other risks shall calculate taxable income and shall pay tax income in accordance with Article 33 of this Law;
  - 2.2. taxable income from long-term construction projects and contracts;
  - 2.3. taxable income from operational leasing and financial leasing.
3. The reporting mode of taxable income according to sub-paragraphs 2.2 and 2.3 of this Article shall be regulated by a sublegal act issued by the Minister.

**Article 6**  
**Tax rates**

1. The corporate income tax rate shall be ten percent (10%) of taxable income.
2. Companies for life, assets or other risks insurance or re-insurance licensed by CBK shall be subject to tax rate of five percent (5%) of gross premiums accumulated over the taxation period.

## **CHAPTER II INCOME EXEMPT FROM TAX**

### **Article 7 Exempt income**

1. The following income shall be exempt from corporate income tax:

1.1. except cases foreseen in Article 34 of this Law, the income of organizations registered under legislation on the Registration and Operation of Non-Governmental Organizations that have received and maintained public benefit status to the extent that the income is used exclusively for their public benefit purposes;

1.2. income of the Central Bank of Kosovo, and of entitled and duly authorized international inter-governmental financial institutions operating in Kosovo;

1.3. interest from financial institutions issued or guaranteed by Kosovo Public Authority, paid to the resident or the non-resident taxpayer;

1.4. income of the Religious Communities according to the Law on Freedom of Religion in Kosovo for the exercise of the special economic activity for their self-sustainment such as:

1.4.1. production of religious, clerical and embodied clothing, candles, picturing icons,

1.4.2. wood carving, carpenter's work, and

1.4.3. traditional agriculture products in compliance with relevant legislation on Freedom of Religion.

1.5. primary contractors or subcontractors' income, other than local persons, generated from contracts for the supply of goods and services to the United Nations, the Specialized Agencies of the United Nations, KFOR and the International Atomic Energy Agency, on condition that they are directly engaged in projects and programmes of the organisations mentioned above;

1.6. primary contractors or subcontractors' income, other than local persons, generated from contracts with foreign governments, their bodies and Agencies, European Union, the Specialized Agencies of the European Union, World Bank, International Monetary Fund and international intergovernmental organisations for the supply of goods and services in support of projects and programmes in Kosovo.

1.7 incomes earned from grants, subsidies and donations, in compliance with the regulations and earning criteria.

2. Dividend paid or received for the resident or non-resident person.
3. International intergovernmental organisations shall be defined by means of a sub-legal act issued by the Minister.
4. Taxation exemptions and social facilitations for new businesses shall be defined by means of a sub-legal act issued by the Minister.

## **CHAPTER III EXPENDITURES**

### **Article 8 Disallowed expenses**

1. In determining taxable income, the following are disallowed expenses:
  - 1.1. cost of acquisition and improvement of land;
  - 1.2. cost of acquisition, improvement, renewal and reconstruction of assets that are depreciated or amortized shall not be considered as expenses of the period, but shall be treated in compliance with Article 18 of this Law;
  - 1.3. fines, penalties and interest that is imposed by any public authority and expenses related thereto;
  - 1.4. income tax paid or incurred for the current or previous tax period or any interest or penalty generated for payment being delayed;
  - 1.5. the Value Added Tax for which the taxpayer requests deductions or crediting for the deductible taxation based on Value Added Tax legislation;
  - 1.6. tax losses from transactions between the related persons cannot be deducted, except the cases when it is in compliance with the market value;
  - 1.7. pension contributions over the maximum amount allowed by the respective legislation on Kosovo pensions.
  - 1.8. expenses for presents, other than those with the name and logo of the business, which are part of the expenses of representation;
  - 1.9. losses in specific weight or substance, damages, remains, surplus, destructions or demolitions during production, transport and storage, beyond the norms set forth in the special legal and sub-legal acts;



1.10. benefits in nature in the form of meals and transport tickets, unless it is organized by business;

1.11. expenses on rents of apartment serving for accommodation and lodging of resident and non-resident employees, irrespective of the terms of contract of employment or service.

1.12. expenditure covered from grants, subsidies and donations, in compliance with regulations and earning criteria.

## **Article 9** **Allowable expenses**

1. Subject to the limitations in this Law, in determining taxable income, a taxpayer shall be allowed as a deduction from gross income expenses paid or incurred during the tax period wholly and exclusively in connection with its economic activities, including premiums for health insurance paid on the interest of the employee and the dependent ones which are included in the employee's policy.

2. Educational expenses paid by an employer in an educational institution for an employee shall be allowable wholly in the year in which such expenses are paid, provided that:

2.1. educational expenses are directly paid in the educational institution;

2.2. educational institution is recognised according to respective legislation applicable in Kosovo;

2.3. education relates to the employee's position and does not qualify the employee for work in another position; and

2.4. the employee shall be employed by the employer following the completion of education for which the expenses are paid by the employer for a specified time period by means of a sub-legal act issued by the Minister.

3. Costs of training paid by an employer for an employee related to the work shall be allowed in whole in the year in which such training costs occurred.

4. If a taxpayer, other than a taxpayer engaged in a business for renting out personal estate or real estate, opts not to keep registration of current expenditures paid or incurred in the rent activity, such taxpayers shall be allowed a deduction from gross rent income in an amount equal to ten percent (10%) of the rents received for the purpose of covering repair expenses, collection of payments and other expenses paid or generated over the course of rent.

5. No deduction shall be allowed for any expense incurred based on an obligation of source withholding, unless such expenses are paid on or before 31 March of the subsequent tax period.

Any disallowed expense under this paragraph shall be deductible in the tax period in which it is actually paid.

6. Expenses, including depreciation expenses with respect to operational leasing and financial leasing, shall be reported in the manner prescribed by a sub-legal act issued by the Minister.

7. No deduction shall be allowed for expenses, other than the expenses documented in the manner required under the sub-legal act issued by the Minister.

## **Article 10**

### **Allowable deductions for the activities of public interest**

1. Contributions made by taxpayer who keep books and records in accordance with paragraph 5 of Article 35 of this Law, in the form of donations or sponsorship for humanitarian, health, education, religious, scientific, cultural, environmental protection and sports in accordance with this law, are considered as contributions given for public interest and are allowed as a deduction up to a maximum of ten percent (10%) of taxable income computed before this contributions are deducted.

2. An allowable contribution under paragraph 1 of this Article must be made to:

2.1. an organization registered under relevant legislation in force on Registration and Function as a Non-governmental organisation;

2.2. any other organization that directly perform activities in the public interest, such as:

2.2.1. medical institutions;

2.2.2. educational institutions;

2.2.3. organizations to protect the environment;

2.2.4. religious institutions;

2.2.5. institutions that care for persons with disabilities or elderly persons;

2.2.6. orphanages; and

2.2.7. institutions that promote science, culture, sports or arts.

3. An allowable deduction shall not include a contribution that directly or indirectly benefit donors or related persons of the donor.

4. Any taxpayer who claims an allowable deduction must file to TAK the proof sheet of payment in respect of such deduction.

5. Other than the allowable deduction according to paragraph 1 of this Article, taxpayers to contribute to certain areas shall have an additional allowance up to ten percent (10%) if prescribed by special Kosovo laws.

6. The Minister shall issue a sublegal act for the implementation of this Article.

### **Article 11** **Costs of representation, advertising and economic promotion**

1. The representation costs include the general character costs that a business person conducts for his/her dignitary presentation in relation to partners or other institutions, such as; organisation of meetings, presentation of new projects, inauguration of new lines or products, treats and related hosting and accompanying business activities;

2. Representation costs shall be limited at one percent (1%) of gross annual income.

3. The advertising and promotion costs, which are done through different forms of information, such as: TV, radio, newspaper, magazines, direct commercials, internet, posters, flyers, billboards, transit commercials and other similar ones are complete expenses deductible for tax purposes.

### **Article 12** **Bad debts costs**

1. A bad debt shall be considered an expense if it meets the following conditions:

1.1. payment has not been received in whole or in part and has been announced as uncollectable thus initiating procedures with judicial bodies;

1.2. the debt is at least six months overdue from its obligation for payment;

1.3. the amount that corresponds to the debt has previously been included in accounting evidence as income;

1.4. there is no dispute on the legal validity of debt;

1.5. there is sufficient evidence that there were substantial attempts made to collect debt, including any applicable action to maximise the debt collection, such as:

1.5.1. taxpayer has balanced any indisputable debt against the bad debt;

1.5.2. correspondence and contacts as an attempt to collect debt;

1.5.3. a request has been submitted on the funds of bankruptcy/liquidation, if applicable and the amount to be received has been reasonably determined by the administrator/ executor. They are applied to the unpaid debt to the extent they are received from bankruptcy;

1.6. taxpayer must issue an invoice on the uncollected amount which must write “Bad debt” and the number of invoice with respect to this debt, an invoice which shall serve to the vendor to decrease income and to the purchaser to decrease expenditures – costs;

1.7. for the amount up to five hundred (500) € treated as a bad debt there shall not be required the initiation of procedures at judicial bodies.

2. Deductions of bad debts are limited to the uncovered part of the debt. Any bad debt deducted as expenditure that then has been collected shall be included in the taxpayer’s income at the period of collection.

3. Uncollected amount shall not be considered as bad debt if;

3.1. transactions with the same debtor have been repeated after the announcement of bad debt, excluding public services;

3.2. bad debt is between the related parties;

3.3. there is no sufficient evidence that there were substantial attempts made to collect debt, including any applicable action to maximise the debt collection;

3.4. there is twenty four (24) months overdue from the obligation for payment.

4. In the case of banks, foreign bank branches and non-banking financial entities licensed by CBK for exercising the lending activity, in determining the taxable profit, write-off of bad debt with respect to the lending process is recognised as deductible expenses upon meeting these terms:

4.1. three hundred and sixty-five (365) days following the submission of request for the commencement of the proceeding of obligatory execution with the executor, in case the loan has been secured with personal estate or real estate;

4.2. three hundred and sixty-five (365) days following the issuance of Court Order for execution, in case the loan has not been secured with personal estate or real estate;

5. The Minister shall issue a sub-legal act to describe requests for the deduction of bad debt as is prescribed under this Article.

**Article 13**  
**Reserve funds**

1. Except as otherwise provided in this Law, contributions to reserve funds are not allowable as an expense.
2. Financial Institutions licensed by Central Bank of Kosovo, other than that income deriving from life insurance, assets, or other risks, are entitled to expenditures for the creation of special reserve fund for their suspicious funds in the amount which shall not exceed the maximum allowable amount by Central Bank of Kosovo.
3. If a Financial Institution has also been engaged both in banking activities and in insurance activities, expenses for the reserve fund are allowable only with respect to suspicious funds deriving from banking activities.
4. Subsequent to the creation of the special reserve fund, any amount withdrawn from the fund shall be included in income and any amount placed back into the fund, to replenish it to the allowable amount, shall be allowed as a deduction.

**Article 14**  
**Payments to related persons**

1. Compensation or emoluments paid to a related person shall be allowed as an expense in an amount equal to the market value.
2. Interest, rent, and other expenses paid to a related person shall be allowed as an expense in an amount equal to the market value.

**Article 15**  
**Depreciation**

1. Expenditures on tangible property, other than expenditures for land, works of art, and other property which are not subject to wear, owned by the taxpayer and used for the taxpayer's economic activity, shall be recovered over time by depreciation deductions in the manner prescribed by this Article.
2. Expenditures on improvements to leaseholds used for the taxpayer's economic activity shall be recovered through depreciation deductions calculated using the straight-line method with a period equal to the life of the leasehold.
3. All tangible property of the taxpayer that is subject to depreciation under this article shall be placed in one of the following categories:
  - 3.1. category 1: Buildings and other construction structures;

3.2. category 2: Automobiles and light trucks, light vehicles for transport, equipment for transport of soil, bulldozers, digging machines and other heavy machines, computers, peripherals, and other data processing equipment, office furniture and office equipment, instruments, sundries and other accessories; and livestock used for production and breeding;

3.3. category 3: Plant and machinery, rolling stock and locomotives used for railway transport; airplanes, ships and multi-annual plants and bushes used for viticulture or for production of fruits such as: apples, pears, nuts, blueberries and so forth; and all tangible assets which are not included in category 1 or category 2 of this paragraph.

4. The amount allowed as a depreciation deduction for the tax period shall be determined by applying the following percentages individually to the tangible property according to straight-line method at the close of tax period according to the category assets are belonging to:

4.1. Category 1- five percent (5%);

4.2. Category 2- twenty percent (20%); and

4.3. Category 3- ten percent (10%).

5. An asset shall first be taken into account for the purpose of depreciation aspects when it is first placed into use.

6. The initial amount to be depreciated shall be the price of purchase or, in absence of the price of purchase, the price of cost. The initial amount includes:

6.1. tax liabilities, charges, fees and interests charged to this asset before the asset is placed into service/use;

6.2. incidental expenses such as provision, packaging, transport and insurance expenses charged by the supplier.

7. Capital assets purchased and commenced to depreciate according to grouping method before the Law No. 03/L-162 on Corporate Income Tax entered into force shall continue to depreciate according to previous legislation while the group value becomes zero.

8. Purchase of an asset with the price of up to one thousand (1,000) € shall be allowed as current expenditure, with the exception of when the asset functions as part of one entirety and the value of entirety is over one thousand (1,000) €

9. Depreciation of group assets from one thousand (1,000) € to three thousand (3,000) € purchased from 1 January 2010 until this Law enters into force shall continue to depreciate with twenty percent (20%), until the group value becomes zero. Upon the sale of any asset from the group, the rules of the Law No.03/L-162 on Corporate Income Tax shall apply.

**Article 16**  
**Depreciation of biological assets**

1. Depreciation of biological assets is allowed only if they are used over the course of economic activities of the agricultural entity.
2. Depreciation of biological assets according to paragraph 1 of this Article shall be regulated by a sub-legal act issued by the Minister.

**Article 17**  
**Special Allowance for New Assets**

1. If a taxpayer purchases any production lines for plants and machinery, rolling stock and locomotives used for the railway transport, airplanes, ships, heavy machines for transport, equipment for transport of soil, bulldozers, digging machines and other heavy machines for the purposes of taxpayers' economic activities, a special allowance of ten percent (10%) of the acquisition price of asset is allowed in the year in which the assets was first asset placed into service.
2. The allowance of ten percent (10%) foreseen in paragraph 1 of this Article shall be made other than the normal allowable depreciation allowance.
3. Allowance is allowed only if the asset is new or is for the first time placed into use in Kosovo. Deduction is not allowed if the asset is transferred from an existing business or a previous business in Kosovo.
4. Other special allowances may be provided for only if prescribed by a special Law.

**Article 18**  
**Repairs and improvements**

1. In the case of any depreciable assets, the amounts spent for repairs or for improvements, excluding repairs for usual maintenance shall be capitalised and shall be added to the asset base, if repairs or improvements exceed the useful life of the asset for at least one (1) year and the amount of repair or improvement is higher than one thousand (1,000) € for that asset. If the repair or improvement is higher than one thousand (1,000) € or less for any assets, the amount of repairs or improvements shall be expenses in the year paid or occurred.
2. If repairs or improvements meet the criterion for capitalisation according to paragraph 1 of this Article, the amount shall be capitalised and added to the remaining accounting value of the capital asset. The new asset accounting value shall be used as the basis for asset depreciation. The asset shall be depreciated in accordance with the applicable category rules.
3. The Minister shall issue a sub-legal act for the implementation of this Article.

**Article 19**  
**Amortization**

1. Expenditures on intangible assets that have a limited useful life including patents, copyrights, licenses for drawings and models, contracts and franchises are deductible in the form of amortization charges.
2. The method of amortization shall be the straight-line write-off method and the allowance shall be based on the useful life of the asset as determined by the legal agreement governing the acquisition and use of the intangible asset.
3. In the cases when the useful life is not determined, the amortization expenses are allowed up to twenty (20) years.

**Article 20**  
**Exploration and Development Costs**

1. All exploration and development costs in respect of a natural deposit of minerals and other natural resources and interest attributable thereto shall be added to a capital account and amortized under the present Article.
2. The amount allowed as an amortization deduction with respect to exploration and development costs referred to in paragraph 1 of this Article for the tax period shall be determined by multiplying the balance in the capital account by a fraction of:
  - 2.1. the numerator of which is the units extracted from the natural deposit during the year; and
  - 2.2. the denominator of which is the estimated total units to be extracted from the natural deposit over the life of the asset.
3. The estimated total units to be extracted referred to in paragraph 2 of this Article shall be determined in accordance with instructions concerning such estimates to be set out in a sub-legal act issued by the Minister.



## **CHAPTER IV CAPITAL GAINS AND LOSSES, BUSINESS LOSSES**

### **Article 21 Capital Gains and Losses**

1. Capital gain means income that a taxpayer realizes through the sale or other disposition of capital assets including real estate, personal estate and securities.
2. The amount of capital gain is the positive difference between the sales price of the capital asset and the cost of the capital asset as determined under paragraph 5 of this Article.
3. The sales price of a capital asset shall be the sum of any money received plus any other compensation received as consideration for the sale.
4. If the parties are related persons and the sales price is less than the market value, then, for purposes of this Article, the sales price shall be regulated in the market value in the manner prescribed by a sub-legal act issued by the Minister.
5. The cost of the capital asset is the amount that the taxpayer paid for the acquisition of the capital asset, including the costs incurred for the acquisition of the asset which was not spent before, increased by the cost of improvements, and reduced by depreciation and other expenditures allowable under this Law.
6. Capital gains shall be recognized as business income and capital losses as business losses, if not prescribed otherwise by this Law.
7. Capital gains and losses shall not be recognised for the grouped assets, assets in Category 2 and Category 3, foreseen by Article 15 paragraph 3 sub-paragraph 2 and sub-paragraph 3 of this Law, acquired before the entry into force of this Law.
8. Capital loss means the loss suffered by the taxpayer from the sale or any other form of alienation of capital assets, including personal estate, real estate and securities.
9. The amount of loss in capital presents the negative difference between the price of sale of capital assets according to paragraph 3 or 4 of this Article and the cost of capital assets as is set out under paragraph 5 of this Article.
10. Capital losses shall be treated as usual losses from economic activities. Provisions of Article 23 of this Law shall be applied for losses prescribed in this paragraph.
11. Gross income from capital gains do not include capital gains realised from the sale of assets of the Kosovo Pensions Savings Trust or any other pension fund defined under legislation on pensions in Kosovo.

12. A capital gain shall not be recognized on the involuntary conversion of property to the extent that the consideration received from the conversion consists of either property of the same character or nature or money that is invested in property of the same character or nature within a replacement period of two (2) years.

13. If a sale of a capital asset includes an agreement in instalments lasting longer than the tax period in which the sale is finalised where all applicable documents are signed by all parties and the sale agreement is legally applicable, any gain shall be reported in a straight-line basis during the existence of the agreement in instalments and the amount of gain attributed to every tax period shall be reported in the tax declaration as income in that tax period. Other provisions with respect to sales in instalments shall be regulated by a sublegal act issued by the Minister.

## **Article 22**

### **Involuntary Conversions**

1. A capital gain shall not be recognized on the involuntary conversion of property to the extent that the consideration received from the conversion consists of either property of the same character or nature or money that is invested in property of the same character or nature within a replacement period of two (2) years.

2. Capital gain according to paragraph 1 of this Article shall be determined by a sub-legal act issued by the Minister.

## **Article 23**

### **Tax losses**

1. Tax losses as defined by this present Law is the negative difference between the taxpayer's income and expense allowances under this Law.

2. The amount of the tax loss determined under this Article may be carried forward for up to six (6) successive tax years and shall be available as a deduction against any income in those years.

3. The amount of the carry forward taken into account for any tax period after the year of the tax loss shall be the entire amount of the loss, reduced by the aggregate amount previously allowed as a deduction.

4. If a taxpayer has suffered tax loss in more than one (1) year, the present Article shall be applied to the losses in the order in which they arose.

5. Except as foreseen under Article 26 of this Law, provisions of this Article shall be allowable only for the business which generated losses. If the business changes the type of business organisation or there is a change ownership for more than fifty percent (50%), the carry forward shall not be applicable.

6. The Minister shall issue a sub-legal act for the regulation of carry forward provisions of loss with respect to the change of business organisation or change of ownership, and any other provision of the carry forward of loss necessary for the implementation of this Article.

## **CHAPTER V LIQUIDATION AND REORGANIZATION**

### **Article 24 Distribution of Property**

1. A company that distributes property other than stock to a shareholder with respect to the shareholder's interest shall recognize a gain or a loss as if such property had been sold to such shareholder at its market value.
2. The property distributed to the shareholder shall be valued at the market value of the property.
3. In the case of a distribution of stock dividends that does not change the share of participation of the recipient; the company shall not recognize a gain or a loss and the shareholder shall not realize income.

### **Article 25 Liquidation**

1. In the case of a liquidation of a company in compliance with the legislation applicable in Kosovo, the company shall take into account any gain or loss as if it had sold the property distributed in the liquidation at its market value.
2. Except as otherwise provided in this Law, the recipients of property distributed in liquidation shall be treated as if they exchanged their equity interest in the liquidated company for an amount equal to the market value of such property.
3. In the case of a liquidation of a subsidiary where the property of the subsidiary is distributed to a parent, the parent shall not recognize any gain or loss.

### **Article 26 Reorganisation**

1. Transfers of property pursuant to a written plan for a reorganization of a taxpayer, whether due to bankruptcy, merger, acquisition, sharing, exchange of shares, or otherwise, which is approved by the Tax Administration of Kosovo, shall not be taxed under this Law.

2. In the case of reorganisation, the book value of the property held by the reorganized taxpayer shall be determined by reference to the book value of such property upon the reorganisation.
3. In the course of a reorganisation, a distribution to a shareholder in respect of the shareholder's equity interest shall not constitute taxable income to the shareholder.
4. Except as otherwise established in a sublegal act issued by the Minister, the acquiring taxpayer shall succeed to and take the place of the acquired taxpayer with respect to inventories, loss carry forwards, dividend accounts, and all other such items. Loss carry forwards are allowable to the acquiring taxpayer only to the extent they are prescribed by the reorganisation plan and approved by TAK, in accordance with the rules prescribed by a sublegal act according to this subparagraph.

## **CHAPTER VI**

### **PRICES TRANSFER, AVOIDANCE OF DOUBLE TAXATION**

#### **Article 27**

##### **Prices Transfer**

1. The price used in conjunction with asset transactions or contract obligations between related persons shall be considered the prices transfer.
2. The price expected to be received in conjunction with asset transactions or contract obligations between parties that had been dealing at arm's-length market shall be considered the arm's-length value.
3. The arm's-length price shall be determined under the comparable uncontrolled price method and, when this is not possible, the resale price method or the cost-plus method or some other method as prescribed by a sub-legal act shall be used.
4. The difference between the arm's-length price and the price transfer shall be included in taxable income.
5. The Minister shall issue a sublegal act for the implementation of this Article.

#### **Article 28**

##### **Avoidance of Double Taxation**

1. A resident taxpayer in Kosovo who receives income from business activities outside of Kosovo, and who pays tax on that income to other states according to this Law, shall be allowed to a tax credit for the income tax paid in another state that is attributed to the income created in another state.

2. Tax crediting allowed in paragraph 1 of this Article shall be limited to the external tax amount paid on the income gained outside of Kosovo, and does not exceed the amount of obligatory taxation in Kosovo on that income. Since the taxation in Kosovo on that income exceeds the paid external taxation, the excessive amount should be included in the calculation of the obligatory taxation in Kosovo.

3. Any international applicable agreement negotiated by the Minister and ratified by the Assembly on avoidance of double taxation shall supersede the provisions of this Article in relation to the parties in that international agreement.

## **Article 29**

### **Permanent Establishment**

1. A permanent establishment shall mean a certain place of business activity through which the business activity of the non-resident person is developed in whole or in part in Kosovo. The permanent establishment includes:

1.1. any place of management;

1.2. any branch;

1.3. any office;

1.4. any factory;

1.5. any workshop;

1.6. any mine; and

1.7. any source of oil or gas, quarry or another place for the utilisation of natural resources.

2. The permanent establishment also includes:

2.1. any construction site, construction, installation or project of installation, or any oversight activity thereto, but only to the extent that construction, project or such activity lasts more than one hundred and eighty-three (183) days. When the construction site, project or the activity lasts more than one hundred and eighty-three (183) days., including also the preparatory activities, construction site, project or the activity are considered to have been or has been created as a permanent undertaking from the day when such work commenced;

2.2. delivery of any service, including consulting services, but excluding oversight activities foreseen in sub-paragraph 2.1 of this Article, carried out in Kosovo by the non-resident person through employees or other personnel, but only if such activities continue

within Kosovo for a period of or a total period of ninety (90) days or more within a twelve (12) months period. When activities continue within Kosovo for a period of or a total period of ninety (90) days or more within a twelve (12) months period, the activities shall be considered to have created a permanent undertaking from the day when such activities commenced;

2.3. any construction site used for the research of natural resources within Kosovo, when such activities continue within Kosovo for a period of or a total period of one hundred and eighty-three (183) days or more within any twelve (12) months period. When activities continue for a period of or a total period of one hundred and eighty-three (183) days or more within a twelve (12) month period, the activities shall be considered to have created a permanent undertaking from the day when such activities commenced; and

2.4. any real estate located in Kosovo and is under possession of a non-resident person.

3. Notwithstanding paragraph 1 of this Article, when the person, other than the agent with an independent status for whom paragraph 6 of Article 29 of this Law applies, acts in Kosovo on behalf of the non-resident person, he/she shall be considered to have a permanent undertaking in Kosovo with respect to activities that the person has as an establishment for the non-resident person, if such person:

3.1. has and usually exercises authorisation in Kosovo to sign contracts on behalf of the non-resident person, except if the activities of such a person are limited to the ones mentioned in paragraph 5 of this Article which, if exercised through a certain business location, would not make this certain business location a permanent establishment according to provisions of that Article; or

3.2. has no such authorisation, but usually runs storage of goods or materials in Kosovo from which he/she usually distributes goods or materials on behalf of the taxpayer.

4. The non-resident person providing insurance, except re-insurance, shall be considered to have a permanent establishment in Kosovo if he/she collects rewards in Kosovo or insures risks located in Kosovo through a person, other than the agent with an independent status for whom the paragraph 6 of this Article applies.

5. Notwithstanding paragraphs 1 and 2 of this Article, the permanent establishment shall be considered to not include:

5.1. use of premises only for the purpose of protection or exhibition of goods or materials belonging to the non-resident person;

5.2. running the storage of goods and materials belonging to the non-resident person only for the purpose of protection or exhibition;

5.3. running the storage of goods and materials belonging to the non-resident person only for the purpose of processing by another taxpayer;

5.4. running a certain business location only for the purpose of purchase of goods or materials or collection of information for the non-resident person;

5.5. running a certain business location only for the purpose of the exercise of other activities of the preparatory or subsidiary character for the non-resident person; and

5.6. running a certain business location only for the combination of any of the activities presented in sub-paragraphs 1 to 5 of this paragraph, provided that the general activity of the fixed business location resulting from this combination has preparatory or subsidiary character only.

6. The non-resident person shall not be considered to have a permanent establishment in Kosovo only because he/she carries out a business activity in Kosovo through the commissioner, general agent of the commission or any other agent with independent status, provided that such persons act according to the usual flow of their business. However, when activities of such agent are in whole or nearly in whole paid on behalf of that taxpayer, and conditions are created or are imposed through that taxpayer and the agent in their commercial and financial relationship which are different from those which could have been made between independent taxpayers, he/she shall not be considered an agent with an independent status in light of this Article.

7. The fact that the non-resident person controls or is controlled by a company which is a resident of Kosovo, or which is carrying out business in Kosovo (be it through the permanent establishment or otherwise), shall consider none of the companies a permanent undertaking of the other.

## **CHAPTER VII WITHHOLDING TAX**

### **Article 30**

#### **Withholding Tax on Emoluments, Pensions, Interest, Royalties and Rents, Lottery wins and gambling**

1. Every employer is responsible to withhold the tax from taxable salaries paid to his/her employees, including payments to non-business natural persons, for professional, technical, management, and financial services, payments for service contracts, payment for actors' plays, musicians, athletes, dependent agents , during each period of the payroll for which the income was paid:

1.1. the main employer of an employee retains an amount for the due period according to payroll in accordance with rates foreseen in the relevant legislation on Personal Income Tax;

- 1.2. the employer which is not the main employee's employer withholds an equal amount of ten percent (10%) of the taxable salaries for each tax period;
  - 1.3. pensions paid from, or in the interest of Kosovo Pension Savings Fund or from an authorised additional fund of pensions regulated by the legislation on pension contributions as well as health insurance according to the Law on Health Insurance, shall be subject to withholding tax by the taxpayer of such pensions or health insurance in the rates foreseen in the relevant legislation on Personal Income Tax;
  - 1.4. each employer which is required to withhold tax according to this Article, shall submit the statement of withholding tax and shall transfer the amount of the tax withheld in the accounts designated by TAK in a bank, or financial institution licensed by Central Bank of Kosovo within fifteen (15) days following the last day of each calendar month, in accordance with the sublegal act issued by the Minister;
2. Taxpayers paying interest on the loans taken, including borrowings with exception of as is foreseen under paragraph 4 of this Article, or royalties to resident and non-resident persons shall withhold tax at the rate of ten percent (10%) at the time of payment or crediting and shall transfer the amount of the tax withheld in the account designated by TAK in a bank, or financial institution licensed by Central Bank of Kosovo. The withholding tax shall be paid in a bank, or financial institution by the 15<sup>th</sup> (fifteenth) day of the subsequent month in which the account has been credited or payment is made.
  3. Each taxpayer paying for rent withholds tax at the rate of nine percent (9%) at the time of payment or crediting and shall transfer the tax withheld in the account designated by TAK in a bank, or financial institution licensed by Central Bank of Kosovo. The withholding tax shall be paid in a bank, or financial institution by the 15<sup>th</sup> (fifteenth) day of the subsequent month in which the account has been credited or payment is made.
  4. Interest on loans given by financial institutions licensed by Central Bank of Kosovo to their clients over the normal course of their business and the interest on financial instruments issued or guaranteed by Kosovo Public Authority shall not be subject to withholding tax.
  5. Each taxpayer which is required to withhold tax according to this Article, by 1 March of the following tax period, shall provide to recipient of income, a certificate of tax withholding in the form specified by a sublegal act issued by the Minister.
  6. The withholding tax for other categories, which are not included in this Article, shall be treated in accordance with relevant legislation on Personal Income Tax.



**Article 31**  
**Withholding tax for special categories**

1. Each taxpayer making payments to non-business natural persons, farmers, agriculturist, collectors of recycle materials, forest fruits, healing plants and similar, shall be obliged to withhold tax at the rate of three percent (3%) of gross payment, at the moment of payment.
2. Each taxpayer which is required to withhold tax according to paragraph 1 of this Article, shall submit the statement of withholding tax and shall transfer the amount of the withholding tax in the accounts designated by TAK in a bank, or financial institution licensed by Central Bank of Kosovo within fifteen (15) days following the last day of each calendar month, in accordance with the sublegal act issued by the Minister.
3. Each taxpayer which is required to withhold tax according to paragraph 1 of this Article, by 1 March of the subsequent tax period, shall provide to each non-business natural person withholding tax, a certificate of tax withholding in the form specified by a sub-legal act issued by the Minister.

**Article 32**  
**Withholding tax in certain payments for non-residents**

1. In accordance with the sublegal act issued by the Minister, income attributed to a non-resident in Kosovo, as an entertainer, such as; theatre, movable figures, radio and TV actors, a singer or a musician, or as an athlete, his/her activities exercised in Kosovo shall be subject to withholding tax from the taxpayer of that income, both direct and indirect payment of the non-resident.
2. Income, other than income prescribed in paragraph 1 of this Article, realised by contracts or agreements, both written and oral, with persons or entities in Kosovo by a non-resident person or entity, the services carried out in Kosovo shall be subject to withholding tax by the taxpayer of that income, as long as the non-resident person or entity has no permanent establishment in Kosovo.
3. Notwithstanding other provisions in this Law, the amount of withholding tax according to paragraphs 1 and 2 of this Article shall be five percent (5%) of gross compensation. Each taxpayer shall submit a statement of withholding tax and shall transfer the amount of the withholding tax in the accounts designated by TAK in a bank licensed by Central Bank of Kosovo within fifteen (15) days following the last day of each calendar month, in accordance with the sublegal act issued by the Minister.
4. According to this Article, the withholding tax shall be considered to be the final tax and recipients of such income subject to withholding source shall not submit a statement to TAK, irrespective of provisions of Article 37 of this Law.

5. Each taxpayer, withholding tax, according to this Article during a tax period, upon the request of recipient of income, by 1 March of the subsequent tax period, shall provide the certificate of withholding tax in the form specified by a sublegal act issued by the Minister.

6. Each taxpayer withholding tax according to this article, during a tax period, shall submit to TAK an annual reconciliation statement in the form and forms specified by TAK, not later than 1 March of the subsequent tax period. Each taxpayer shall include a copy of all certificates of withholding tax required under paragraph 5 of this Article with the annual reconciliation statement submitted to Tax Administration.

7. The Minister shall issue a sub-legal act defining the persons or entities that are payers according to this Article, and all other activities required for the implementation of this Article.

## **CHAPTER VIII SPECIAL PROVISIONS**

### **Article 33**

#### **Treatment of insurance activities**

1. In the case of any entity licensed by CBK, whose principal activity is the insurance or reinsurance of life, property, or other risks, the tax imposed by this Law shall be an amount equal to five percent (5%) of the gross premiums accrued during the tax period and shall be the final tax for this kind of income.

2. If the insurance company has other income other than those generated from the insurance or reinsurance of life, property or other risks, these other income shall be subject to tax according to the certain corporate tax rate, and taxable taxes shall be determined according to rules of income and expenditures set out under this Law:

2.1. each business which is engaged in the insurance activities and in other economic activities shall contain separate records and notes on the insurance activities of insurance and other economic activities.

### **Article 34**

#### **Treatment of Commercial Income of Non-Governmental Organizations**

1. A non-governmental organization that conducts any commercial or other activity that is not exclusively related to its public purpose shall be charged income tax at the rate of ten percent (10%) on income derived from such unrelated business activity, reduced by any deductions that are directly related to the carrying on of such business and which are allowed by this Law.

2. TAK has the authority to control every NGO to determine the extent of the respect of rules according to which NGOs operate. In the cases when it is ascertained that profits of NGOs exceed the reasonable level of the organisation's profits, which has been established as a non-profitable organisation, TAK has the authority to treat such excessive profits in compliance with provisions of paragraph 1 of this Article.

3. Each NGO engaging in the activities exempted from tax according to sub-paragraph 1.1 of Article 7 of this Law and in other commercial activities shall keep separate records and notes on the activity of public profit and on the other commercial activities.

4. The Minister shall issue a sublegal act by means of which he shall foresee the meaning of "Excessive profit" according to this Article.

## **CHAPTER IX ADMINISTRATIVE PROVISIONS**

### **Article 35 Request for Books and Recording**

1. Taxpayer with annual gross income from business activities for a tax period of over fifty thousand (50.000) € shall keep books and recording identified in paragraph 5 of this Article.

2. Taxpayer with annual gross income from business activities for a tax period, up to fifty thousand (50.000) € may opt to choose preparing books and recording identified in paragraph 5 of this Article.

3. Taxpayer, according to paragraph 1 of this Article and the one opting for preparing books and recording identified in paragraph 5 of this Article shall be required to prepare such books and recording for the tax period in which the option was made for at least three (3) subsequent tax periods:

3.1. taxpayer that opts to choose the option described in paragraph 5 of this Article shall submit an application form to TAK, by 1 March of the tax period in which the taxpayer wants to choose and the choosing has been made;

3.2. for the new taxpayer, the first quarter statement submitted shall be information for TAK that the choosing according to paragraph 5 of this Article has been made.

4. Taxpayer, according to paragraph 1 of this Article and those opting for keeping books and recording according paragraph 5 of this Article may return and keep books and recording according to Article 36 of this Law, only then when a period of three (3) years elapsed following the period in which choosing was made on condition that at the end of the period his/her income are under the limit of fifty thousand (50.000) €

4.1. taxpayer who is rightly requiring bringing back the option according to paragraph 4 of this Article shall submit a request for approval to TAK in accordance with provisions applicable of the Law on Tax Administration and Procedures and shall receive the approval from TAK before keeping books and recording in accordance with Article 36 of this Law. The approval should be taken by 1 March of the year for which the taxpayer is seeking approval.

5. Books and recording required under this Article which is kept in accordance with Law on Tax Administration and Procedures are as follows:

5.1. a book of sale which shall record all sales and returns.

5.2. a book of purchase which shall record all sales and returns.

5.3. a cash box journal recording all inflows and outflows in cash.

5.4. a capital account, if applicable, containing the opening balance, additions in capital, expenditures to be capitalised, the depreciation rate, the depreciation amount, cash and the closing balance; and

5.5. financial statements and balance sheet as required for setting a starting point for the calculation of annual declaration of the corporate income tax.

6. Contents of books and recording required under this Article and every book and recording required including those kept electronically shall be defined by a sub-legal act issued by the Minister.

### **Article 36** **Request for Books and Recording for small businesses**

1. Taxpayer with annual gross income up to fifty thousand (50.000) € that does not opt to choose preparing books and recording required under paragraph 5 of Article 35 of this Law, shall keep books and recording as follows:

1.1. a book of sale which shall record all sales and returns.

1.2. a book of purchase which shall record all sales and returns; and

1.3. a cash box journal recording all inflows and outflows in cash.

2. Contents of books and recording required under this paragraph and every book and recording required including those kept electronically shall be defined by a sub-legal act issued by the Minister.

**Article 37**  
**Tax Declarations**

1. A taxpayer that is required or opts to be subject to taxation based on real income is obliged to prepare and declare income, by adjusting the income and expenses reported for taxable purposes. The taxpayer shall submit to TAK the annual declaration on corporate income tax by 31 March of the following year of the tax period. The declaration shall be made on the forms prescribed by the Tax Administration of Kosovo and the tax rate shall be the profit presented in financial statements prepared in accordance with the accounting standards, increased or decreased in accordance with provisions set out by this Law:

1.1. such taxpayers are also required to submit, together with the tax declaration, the financial statements prepared in accordance with accounting standards and relevant applicable legislation in power .

**Article 38**  
**Tax Payments**

1. According to this Law, each taxpayer under this Law shall make quarterly advance payments of tax to an account designated by the Tax Administration of Kosovo in a bank or financial institution licensed by the Central Bank of Kosovo by 15 April, 15 July, 15 October, and 15 January with respect to the calendar quarter immediately preceding these dates.

2. The amount of each quarterly advance payment shall be as follows:

2.1. Taxpayers with annual gross income of fifty thousand (50,000) € who are not required to, or do not opt to, submit the annual statements according to Article 37 of this Law shall make the following payments per quarter:

2.1.1. three percent (3%) of gross income received from trade, transport, agricultural and similar commercial activities of each quarter, but not less than thirty seven point five (37.5) €per quarter.

2.1.2 nine percent (9%) of gross income for the quarter from services, professional, vocational, entertainment and similar activities of each quarter, but not less than thirty seven point five (37.5) €per quarter.

2.1.3. ten percent (10%) of gross rent income for the quarter (gross rent income not less than ten percent (10%) of the allowances foreseen in paragraph 4 of article 9 of this Law), reduced by any amount withheld during that quarter pursuant to paragraph 3 of Article 30 of this Law;

2.1.4. if a taxpayer described in sub-paragraph 2.1 of this Article has no income on quarterly period, no payment shall be required, but the taxpayer shall submit

the declaration of the quarterly instalment for the period when he/she has no tax liability.

2.2. taxpayers, according to paragraph 1 of Article 37 of this Law, shall make the quarterly payments as follows:

2.2.1. one-fourth (1/4) of the total tax liability for the current tax period based on estimated taxable income reduced by any amount withheld during the quarter with respect to that income in accordance with the relevant legislation on Corporate Income Tax; or

2.2.2. for the second and subsequent tax periods that a taxpayer makes payment under this paragraph, at least one-fourth (1/4) of one hundred and ten percent (110%) of the total tax liability of the preceding tax period for current tax period, reduced by any amount withheld during the quarter with respect to that income in accordance with the relevant legislation on Corporate Income Tax;

3. Taxpayer who exceeded the gross turnover over fifty thousand (50.000) € is obliged to report his/her income and shall make payments in accordance with paragraph 1 of Article 35 of this Law and sub-paragraph 2.2 of this Article, for the tax period in which the gross turnover exceeds fifty thousand (50.000) € and at least for three (3) subsequent tax periods.

4. A taxpayer who makes quarterly advance payments pursuant to sub-paragraph 2.2 of this article shall perform a final settlement of tax and pay the final amount due on or before 31 March of the year following the tax period.

5. The amount for final adjustment is the total tax amount for the tax period set in accordance with this Law, decreased for:

5.1. the withholding tax amounts by others and paid to the TAK in accordance with relevant legislation on Corporate Income Tax;

5.2. amounts paid in quarter instalments;

5.3. external tax credit allowed according to this Law.

6. If the amounts paid, or credited according to paragraph 5 of this Article are higher than the total tax amount set in accordance with this Law, the taxpayer shall be entitled to the:

6.1. reimbursement of excessive amount of taxes paid; or

6.2. on the taxpayer's request is entitled to carry forward as advance for the subsequent year.

7. If the advance payment has not been timely made or has been made in the amount which is lower than that required, TAK shall apply a penalty in an amount equal to the interest rate

applicable at the time when the advance payment was obligatory to be made. There shall be no other additions in tax for late advance payments or insufficient payments. If payments or adjusted payments of quarterly instalments are made on or before the due date and the declaration with final regulations or final declaration with adjusted regulations is made as is foreseen under paragraph 4 of this Article, then there shall be no interest or penalty for insufficient payment required; if:

7.1. the difference between the amount due in each instalment and the amount paid for each instalment is not greater than twenty percent (20%) of the amount due; or

7.2. after the taxpayer's first tax period, the amount paid in each instalment is at least ten percent (10%) higher than one-fourth (1/4) of the tax liability in the tax declaration for the preceding tax period.

7.2.1. if TAK carries out a control of any year and makes an adjustment of tax of that year over twenty percent (20%), the exemption from penalty envisaged in sub-paragraph 7.2 of this Article shall not be applied in the requests for advance payment for the subsequent tax period.

7.3. for the first business period, taxpayer shall not be found liable if the amount for quarter advance payments including the fourth quarter instalment is over eighty percent (80%) of the final obligatory tax for that tax period.

7.4. taxpayer suffering losses in the Declaration of Corporate Income Tax of previous year is not entitled to use provisions of sub-paragraph 2.2.2 of this Article in making advance payments for the current year. Such taxpayer shall make advance payments in accordance with provisions of sub-paragraph 2.2.1 of this Article.

7.5. penalty to be charged according to this Article shall be applied only to the underpaid amount from the obligatory date of advance instalments up to the date prescribed in paragraph 4 of this Article in order to make final adjustments for the tax periods.

8. The Minister shall issue a sub-legal act for the implementation of this Article.

## **CHAPTER X FINAL PROVISIONS**

### **Article 39 Sub-legal acts for Law implementation**

The Minister of Finance shall issue the sub-legal act required by and referred to in this Law not later than 31 December 2015, from the day of entry into force of this Law.

**Article 40**  
**Abrogation provisions**

1. With the entry into force of this Law there shall be abrogated the Law No.03/L-162 on Corporate Income Tax, approved by the Assembly on 29 December 2009 and published in the Official Gazette of the Republic of Kosovo No.64, on 1 February 2010, Law No.04 / L-103 on amending and supplementing the Law No. 03/L-162 on Corporate Income Tax, approved by the Assembly on 3 May 2012 and published in the Official Gazette of the Republic of Kosovo No.13, on 30 May 2012, as well as any other provision that is in contradiction to this Law.
2. Regardless of paragraph 1, the provisions of repealed legislation of paragraph 1 of this Article shall continue to be applied by the TAK in reviewing the tax issues that pertain to periods until the entry into force of this Law.

**Article 41**  
**Entry into force**

This Law shall enter into force on 1 September 2015.

**Law No.05/L-029**  
**22 July 2015**

**President of the Assembly of the Republic of Kosovo**

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**Kadri VESELI**