

Republika e Kosovës

Republika Kosovo-Republic of Kosovo

Kuvendi - Skupština - Assembly

Law No. 03/L-115

ON PERSONAL INCOME TAX

Assembly of Republic of Kosovo,

Pursuant to article 65 (1) of the Constitution of the Republic of Kosovo,

Approves:

LAW ON PERSONAL INCOME TAX

Article 1 Definitions

For the purposes of this law:

- **"Business activities"** means any economic activity entered into for the purpose of making profit, including retail, manufacturing, trade, entertainment, transport, agricultural, vocational, professional and other services;
- "Capital assets" means tangible property with a service life of one year or more;
- "Dividend" means a distribution by a company to a shareholder:
- of cash or stock with respect to the shareholder's equity interest in the company; and
- of property other than cash or stock, unless such property is distributed as a result of liquidation;

- **"Employee"** means a natural person, who performs work for wages under the direction and control of an employer, regardless of whether the work is performed under a contract, or any other form of agreement, whether in writing or not. An employee includes all public officials and members of legislative, executive, and judicial bodies;
- "Employer" means any natural person or entity that pays wages and includes:
- a public authority;
- a business organization;
- a permanent establishment of a non-resident person;
- a non-governmental organization;
- -an international organization, with the exception of the United Nations, its Specialized Agencies and the International Atomic Energy Agency; and
- a natural person who pays wages in the course of carrying out business in Kosovo;
- **"Entity"** means a corporation or other business organization that has the status of a legal person, a business organization operating with public and socially owned assets, a non-governmental organization registered under legislation on the Registration and Operation of Non-Governmental Organizations in Kosovo, and a permanent establishment of a non-resident. The term entity does not include a personal business enterprise or a partnership;
- "Foreign source income" means gross income that is not Kosovo source income;
- "Intangible property" means patents, copyrights, licenses, franchises, and other property that consists of rights only, but has no physical form;
- "Kosovo source income" means gross income that arises in Kosovo, as follows:
- wages from work performed in Kosovo;
- income from business activity where such activity is located in Kosovo;
- income from the use of movable or immovable property in Kosovo;
- income from the use of intangible property in Kosovo;
- interest on a debt obligation paid by a resident or a public authority;
- dividends paid by a resident business organization;
- gain from the sale of immovable property located in Kosovo; and

- other income not covered by the above-mentioned subparagraphs arising from economic activity in Kosovo;
- "Market value" means the price at which similar goods or services of like quality and quantity would be sold in an arm's-length transaction;
- "Natural person" means an individual;
- "Non-resident" means any natural person or entity that is not a resident;
- "Partnership" means a general partnership, a limited partnership or similar pass-through arrangement that is not a legal person and that proportionately shares items of capital, income, and loss among its partners;
- **1A.1 "Permanent establishment"** means a fixed place of business through which the business of a non-resident person is wholly or partly carried on in Kosovo.

1A.2 "Permanent establishment" shall include:

- (a) any place of management;
- (b) any branch;
- (c) any office;
- (d) any factory;
- (e) any workshop;
- (f) Any mine; and
- (g) any oil or gas source, quarry or other place of exploitation of natural resources.

1A.3 "Permanent establishment" shall also include:

- (a) any building site, construction, assembly or installation project or supervisory activity in connection therewith, but only if such site, project or activity lasts longer than one hundred eighty three (183) days. Where the site, project or activity lasts longer than one hundred eighty three (183) days, including any preparatory activity, the site project or activity shall be deemed to have been or created a permanent establishment from the day such work commenced;
- (b) the furnishing of any service, including any consultancy service but excluding any supervisory activity referred to in article 1A.3 (a), carried out in Kosovo by a non-resident person through employees or other personnel, but only if such activities continue within Kosovo for a period or periods of totaling ninety (90) days or more within any twelve-month (12) period.

Where the activities do continue within Kosovo for a period or periods totaling ninety (90) days or more within any twelve-month (12) period, the activities shall be deemed to have created a permanent establishment from the day such activities commenced;

- (c) any site used for the research for natural resources within Kosovo, where such activities within Kosovo continue for a period or periods totaling one hundred eighty three (183) days or more within any twelve-month (12) period. Where the activities do continue for a period or periods totaling one hundred eighty three (183) days or more within any twelve-month (12) period, the activities shall be deemed to have created a permanent establishment from the day such activities commenced; and
 - (d) any immovable property situated in Kosovo and owned by a non-resident person.
- 1A.4 Notwithstanding subsections 1A.1 and 1A.2 of this section, where a person other than an agent of an independent status to whom section 1A.7 applies, acts in Kosovo on behalf of a non-resident person shall be deemed to have a permanent establishment in Kosovo in respect of the activities which that person undertakes for the non-resident person, if such a person:
- (a) has and habitually exercises in Kosovo an authority to conclude contracts in the name of the non-resident person, unless the activities of such person are limited to those mentioned in section 1A.6 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that subsection; or
- (b) has no such authority but habitually maintains in Kosovo a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the taxpayer.
- 1A.5 A non-resident person who provides insurance shall, except in regard to re-insurance, be deemed to have a permanent establishment in Kosovo if it collects premiums in Kosovo or insures risks situated in Kosovo through a person other than an agent of an independent status to whom Section 1A.7 applies.
- 1A.6 Notwithstanding subsections 1A.1, 1A.2 and 1A.3 of this section "permanent establishment" shall be deemed not to include:
- (a) the use of facilities solely for the purpose of storage or display of goods or merchandise belonging to non-resident person;
- (b) the maintenance of a stock of goods or merchandise belonging to the non-resident person solely for the purpose of storage or display;
- (c) the maintenance of a stock of goods or merchandise belonging to the non-resident person solely for the purpose of processing by another tax payer;
- (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information for the non-resident person;

- (e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the non-resident person, any other activity of a preparatory or auxiliary character; and
- (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in paragraphs (a) to (e) of this subsection, provided that the overall activity of the fixed place of business resulting from this combination is only of a preparatory or auxiliary character.
- 1A.7 A non-resident person shall not be deemed to have a permanent establishment in Kosovo merely because it carries on business in Kosovo through a broker, general commission agent or any other agent of an independent status, provided that such person are acting in the ordinary course of their business. However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that taxpayer, and the conditions are made or imposed between that taxpayer and the agent in their commercial and financial relations which differ from those which would have been made between independent taxpayers, he will not be considered an agent of an independent status within the meaning of this subsection.
- 1A.8 The fact that a non-resident person controls or is controlled by a company which is a resident of Kosovo, or which carries on business in Kosovo (whether through a permanent establishment or otherwise), shall not of itself deem either company a permanent establishment of the other.
- "Person" means a natural person or entity;
- "Personal business enterprise" means a natural person engaged in business who is not an agent or employee of another business activity;
- "Principal employer" means the employer the employee designates as such at a time and in the manner set out in an Administrative Instruction to be issued by the Ministry of Finance and Economy;
- **"Public authority"** means a central, regional, municipal, or local authority, public body, ministry, department, or other authority that exercises public executive, legislative, regulatory, administrative or judicial poker;
- "Related person" means persons that have a special relationship that may materially influence the economic results of transactions between them. Special relationships arise where:
- the persons are officers or directors of one another's business;
- the persons are partners in business;
- the persons are in an employer-employee relationship;
- one person holds or controls 50% or more of the shares or voting rights in the other legal person;

- one person directly or indirectly controls the other person;
- both persons are directly or indirectly controlled by a third person; or
- the persons are husband or wife or relatives to the third degree inclusive or in law to the second degree inclusive.
- "Representation costs" means all costs related to promotion of the business, or its products and includes costs for publicity, advertising, entertainment, and representation;

"Resident" means:

- a natural person who has a principal residence in Kosovo or is physically present in Kosovo for one hundred eighty three (183) days or more in any tax period; or
- an entity which is established in Kosovo or has its place of effective management in Kosovo.
- "Self-employed" person means any natural person who works for personal gain, in cash or in kind, who is not covered by the definition of an employee under the present Regulation. A self-employed person includes a personal business enterprise and a partner engaged in a business activity:
- "Tax period" means the calendar year; and
- "Wages" means financial and other kinds of compensation, including goods, favors, services, or barter, paid in connection with employment in Kosovo.

Article 2 Taxpayers

Taxpayers, for the purpose of this Law, shall mean resident and non-resident natural persons who receive or accrue gross income described in Article 6 of this law during the tax period.

Article 3 Object of taxation

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

Article 4 Taxable income

Taxable income for a tax period shall mean the difference between gross incomes received or accrued during the tax period and the deductions allowable under this Law with respect to such gross income.

Article 5 Tax rates

- 1. For each tax period, income tax shall be charged at the following rates;
- 1.1. for taxable income nine hundred sixty (960) euro or less, zero percent (0%);
- 1.2. for taxable income over nine hundred sixty (960) euro up to three thousand (3.000) euro, four percent (4%) of the amount over nine hundred sixty (960) euro;
- 1.3. for taxable income over three thousand (3.000) euro up to five thousand four hundred (5.400) euro, eighty one point six (81.6) euro plus eight percent (8%) of the amount over three thousand (3.000) euro; and
- 1.4. for taxable income over five thousand four hundred (5.400)euro, two hundred seventy three point six (273.6) euro plus ten percent (10%) of the amount over five thousand four hundred (5.400)euro.

Article 6 Gross income

1.	Except	for	income	that	is	exempted	under	the	present	Regulation,	gross	income	means	all
in	come rec	ceiv	ed or acc	crued	fro	om all soui	ces in	clud	ing:					

1.1. wages;
1.2. business activities;
1.3. rents;
1.4. the use of intangible property;
1.5. interest;
1.6. dividends;

1.7. capital gains;

- 1.8. lottery and other game of chance winnings
- 1.9. pensions paid by a government, a previous employer, or pursuant Law on Pension Found of Kosovo; and
- 1.10. any other income that increases the taxpayer's net worth.

Article 7 Exempt income

- 1. The following income shall be exempt from personal income tax:
- 1.1. wages of foreign diplomatic and consular representatives and foreign personnel of Liaison Offices in Kosovo, as defined in UNMIK Regulation No. 2000/42 of 10 July 2000 on the Establishment and Functioning of Liaison Offices in Kosovo;
- 1.2. wages of foreign representatives, foreign officials and foreign employees of international governmental organizations, and international non-governmental organizations that have received and maintained public benefit status under legislation in force;
- 1.3. wages of foreign representatives, foreign officials and foreign employees of donor agencies or their contractors or grantees carrying out humanitarian aid, reconstruction work, civil administration or technical assistance within Kosovo;
- 1.4. wages received by foreign and locally-recruited officials of the United Nations and its Specialized Agencies, and the International Atomic Energy Agency, which for purposes of This Law shall be deemed to include foreign and locally recruited UNMIK personnel as defined in UNMIK Regulation No. 2000/47 of 18 August 2000 on the Status, Privileges and Immunities of KFOR and UNMIK and Their Personnel in Kosovo. The same exemption shall apply to entitled and duly authorized international inter-governmental financial institutions operating in Kosovo;
- 1.5. wages of foreign personnel of KFOR;
- 1.6. compensation for the damage or destruction of property;
- 1.7. proceeds of life insurance policies payable as the result of the death of the insured person and
- 1.8. reimbursement or compensation for medical treatment and expenses, including hospitalization and medication, other than wages paid during the periods of absence from work due to sickness or injury.

Article 8 Income from wages

- 1. Gross income from wages shall include:
- 1.1. salaries paid by or on behalf of an employer for work that the employee does under the direction of the employer;
- 1.2. bonuses, commissions, and other forms of compensation that an employer, or some other person on behalf of the employer, pays to employees over and above salary;
- 1.3. income from temporary work performed by an employee;
- 1.4. income from prospective employment, such as a signing bonus;
- 1.5. health and life insurance premiums that an employer pays for the employee;
- 1.6. forgiveness of an employee's debt or obligation to the employer;
- 1.7. payment by an employer of an employee's personal expenses; and
- 1.8. except as otherwise provided in this Law, in-kind benefits given by an employer to an employee that exceed a de minimum amount to be specified in an sub legal act issued by the Ministry of Finance and Economy.
- 2. Gross income from wages shall not include:
- 2.1.reimbursement of actual business travel expenses up to the amounts to be specified in an sub legal act issued by the Ministry of Finance and Economy;
- 2.2. indemnity for work accidents; and
- 2.3. in-kind benefits given by employers to foreign employees to facilitate their living in Kosovo, such as housing and school tuition.
- 3. With respect to pension contributions, gross income shall not include:
- 3.1. contributions made by an employer on behalf of an employee to the Individual Savings Pension system, a supplementary employer pension fund, and a supplementary individual pension scheme under Law on Pension Found of Kosovo; and
- 3.2. contributions made by an employee to the Individual Savings Pension system, a supplementary employer pension fund, and a supplementary individual pension scheme under Law on Pension Found of Kosovo.

Article 9 Income from business activities

- 1. Gross income from business activities means gross receipts generated by a natural person engaged in such activities.
- 2. Subject to the provisions of this Article, there shall be allowed as a deduction from gross income generated from business activities the expenses paid or incurred during the tax period that are wholly, exclusively, and directly related to carrying out such business activities.
- 3. Expenses that otherwise meet the requirements of paragraph 2 of this Article shall be allowed as a deduction subject to the following limitations;
- 3.1. representation costs may be deducted up to a maximum amount of two percent (2%) of total gross income;
 - 3.2. a bad debt may be deducted only if the following three (3) conditions are met:
 - 3.2.1. the amount that corresponds to the debt has previously been included in income;
 - 3.2.2. the debt is written off in the taxpayer's books as worthless; and
 - 3.2.3. there is adequate evidence of substantial unsuccessful attempts made by the taxpayer to collect the debt;
- 3.3. a bad debt that is subsequently collected shall be included in income at the time of collection;
- 3.4. expenses for travel, meals, lodging, and moving shall be limited to the amounts to be specified in an Administrative Instruction to be issued by the Ministry of Finance and Economy; and
- 3.5. compensation, interest, rent and other expenses paid to a related person shall be deductible in an amount equal to the lesser of the actual payment or the market value.
- 4. Expenditures on capital assets, 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 business activities shall be recovered over time through depreciation deductions under the reducing balance method at the following rates:
 - 4.1. buildings at the rate of five percent (5%);
 - 4.2. automobiles, office and computer equipment at the rate of twenty percent (20%); and
 - 4.3. other capital assets at the rate of fifteen percent (15%).

- 5. To the extent that the amounts expended during the tax period to repair, maintain, or improve capital assets do not exceed five percent (5%) of the balance in the account at the beginning of the year, such amounts shall be allowed as a deduction for the year. To the extent that such amounts expended exceed five percent (5%), such excess shall be treated as improvements and added to the capital account.
- 6. Expenditures on improvements to leaseholds used for the taxpayer's business activity shall be recovered through depreciation deductions calculated using the straight-line method with a period equal to the life of the leasehold.
- 7. Taxpayers with income from the sale of goods who maintain inventories to determine the cost of goods sold, shall use the LIFO (last-in-first-out), FIFO (first-in-first-out) or such other method as may be set out in a sub legal act issued by the Ministry of Finance and Economy.
- 8. If the amount of the taxpayer's deductions from business activities for the taxable year exceeds the taxpayer's income from business activities for the year, the amount of such loss may be carried forward for up to five (5) successive tax periods and shall be available as a deduction against any income in those years. If a taxpayer has a business loss in more than one (1) year, losses shall be deductible in the order in which they arose.
- 9. No deduction shall be allowed for:
 - 9.1. cost of acquisition of land;
 - 9.2. fines and penalties;
 - 9.3. income tax and value added tax for which the taxpayer claims a rebate or credit for input tax under legislation, on Value Added Tax;
 - 9.4. personal, living, or family expenses;
 - 9.5. any loss from the sale or exchange of property between related persons; and
 - 9.6. amusement or recreation expenses, unless they are incurred in connection with the taxpayer's business of providing amusement or recreation activities.
- 10. No deduction shall be allowed under this Regulation for any expense unless the taxpayer documents, in the manner prescribed by an sub legal act issued by the Ministry of Finance and Economy, that such expense was incurred, the purpose of the expense and the amount of the expense.
- 11. A taxpayer with annual gross income from business activities for the tax period in excess of fifty thousand (50.000) euro shall keep the books and records identified in paragraph 14 of this article.

- 12. A taxpayer with annual gross income from business activities for the tax period of fifty thousand (50.000) euro or less may opt to prepare the books and records identified in paragraph 14 of this article.
- 13. A taxpayer who opts to prepare books and records identified in paragraph 14 of this article for any tax period shall be required to prepare such books and records for each subsequent tax period.
- 14. The books and records required under this Article are as follows:
 - 14.1. a sales book that includes the date of the sale of goods or services, the quantity of goods sold or services rendered, a description of the goods or services, and the total gross income;
 - 14.2. a purchase book that includes the date of the purchase of goods or services, the quantity of goods or services, a description of the goods or services, the amount of the purchase, the seller's name, and the seller's taxpayer identification number;
 - 14.3. an expense book that includes a list of all expenses not recorded in the purchase book such as wages, interest and rent;
 - 14.4. a capital account, if applicable, that includes the opening balance, additions to capital, expenses to be capitalized, depreciation rate, amount of depreciation, dispositions, and closing balance; and
 - 14.5. any other books or records required by a sub legal act issued by the Ministry of Finance and Economy.

Article 10 Income from rents

- 1. Gross income from rents includes:
 - 1.1. income generated by rental of real estate such as buildings, land or apartments; and
 - 1.2. income generated by rental of equipment, transportation vehicles and other types of property.
- 2. It shall be allowed as a deduction from gross income from rent an amount equal to:
 - 2.1. actual costs paid or incurred wholly and exclusively for generating such rent, provided that records of such costs are kept in the manner prescribed in an sub legal act issued by the Ministry of Finance and Economy; or

2.2. ten percent (10%) of the rents received in order to cover the costs of repairs, collection charges and other expenses paid or incurred in generating the rent.

Article 11 Income from intangible property

- 1. Gross income from intangible property includes income generated from patents, copyrights, licenses, franchises, and other property that consists of rights only, but has no physical form.
- 2. There shall be allowed as a deduction from gross income generated from intangible property the expenses paid or incurred in connection with generating income from intangible property, provided that records of such costs are kept in the manner prescribed by an sub legal act issued by the Ministry of Finance and Economy.
- 3 Expenditures on intangible assets that have a limited useful life (including patents, copyrights, licenses, drawings and models, contracts, franchises) are deductible in the form of amortization charges. The method of amortization shall be the straight-line 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.

Article 12 Interest income

- 1. Gross income from interest includes:
 - 1.1. interest from loans made to natural persons or entities;
 - 1.2. interest from bonds or other securities issued by public authorities and business organizations; and
 - 1.3. interest from interest-bearing accounts maintained with banks and other financial institutions.
- 2. Gross income from interest does not include interest from the assets of the Kosovo Pension Savings Trust or any other pension fund defined under the Law on Pension Fund of Kosovo.

Article 13 Dividend income

1. Gross income from dividends includes dividends and other distributions of profit to a taxpayer.

2. Gross income from dividends does not include dividends earned from the assets of the Kosovo Pension Savings Trust or any other pension fund defined under Pension Fund of Kosovo.

Article 14 Income from capital gains

- 1. Gross income from capital gains means the gain that a taxpayer realizes through the sale or other disposition of capital assets including real estate and securities.
- 2. The amount of capital gain is the positive difference between the sales price of the asset and the cost of the capital asset as determined under paragraph 5 of this Article.
- 3. The sales price of the capital asset shall be the sum of any money received plus the market value of any property other than money received as consideration for the sale.
- 4. If the parties are related persons and the sales price is less than the market price, then the sales price will be adjusted to the market price in the manner prescribed in a sub legal act issued by the Ministry of Finance and Economy.
- 5. The cost of the capital asset is the amount that the taxpayer paid for the acquisition of the asset, increased by the cost of improvements, and reduced by depreciation and other expenditures allowable under this Law.
- 6. Capital loss means a loss that a taxpayer realizes through the sale or other disposition of capital assets including real estate and securities.
- 7. The amount of capital loss is the negative difference between the sales price of the asset and the cost of the capital asset.
- 8. Capital losses shall be treated as ordinary losses from business activities that may be deducted from income in the current year. If the amount of the capital loss for the taxable year exceeds the taxpayer's income for that year, the amount of the excess of such loss over income in the current year may be carried forward for up to five (5) successive tax periods and shall be available as a deduction against any income in those years.
- 9. Gross income from capital gains does not include capital gains realized from the sale of the assets of the Kosovo Pension Savings Trust or any other pension fund defined under Law on Pension Found of Kosovo.
- 10. This article shall enter into force on 1 January 2010.

Article 15 Other income

Gross income includes any other income, from whatever source derived, such as income from lottery or other game of chance winnings or income from debt forgiveness.

Article 16 Deduction for charitable contributions

- 1. Contributions made for humanitarian, health, education, religious, scientific, cultural, environmental protection and sports purposes are allowed as a deduction under This Law up to a maximum of five percent (5%) of taxable income computed before the charitable contribution is deducted.
- 2. A charitable contribution under paragraph 1 of this Article must be made to:
 - 2.1. an organization registered under legislation on registration and function for NGO as a non-governmental organization that has received and maintained public benefit status;
 - 2.2. any other non-commercial organizations that directly perform not for profit 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 disabled or elderly persons;
 - 2.2.6. orphanages; and
 - 2.2.7. institutions that promote science, culture, sports or arts.
- 3. A charitable contribution shall not include a contribution that directly benefits the donor, or related persons of the donor.
- 4. Any taxpayer who claims a deduction for a charitable contribution must file an annual declaration and furnish a receipt in respect of such contribution, in the manner prescribed by a sub legal act issued by the Ministry of Finance and Economy.

Article 17 Withholding tax on wages

- 1. Each employer shall be responsible for withholding tax from the gross income from wages of its employees during each payroll period.
- 2. An employer who is the employee's principal employer shall withhold an amount for the appropriate payroll period, in accordance with withholding tables as set forth in an sub legal issued by the Ministry of Finance and Economy. The tentative tax for a given month shall be reduced by the amounts withheld by the principal employer for the previous month in the year.
- 3. An employer who is not the employee's principal employer shall withhold an amount equal to ten percent (10%) of the wages for each tax period.
- 4. Each employer shall submit a statement of tax withholding and remit the amount of tax withheld to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo within fifteen (15) days after the last day of each calendar month, in accordance with an sub legal act issued by the Ministry of Finance and Economy.
- 5. Each employer that makes wage payments during the tax period shall submit to the Tax Administration by 31 January of the year following the tax period an annual tax reconciliation statement with information about wages paid and tax withheld and remitted with respect to each employee in accordance with the form and procedures specified in sub legal act issued by the Ministry of Finance and Economy.
- 6. Each employer shall provide by 1 March of the year following the tax period to every employee (from whom wage tax has been withheld) a certificate of tax withholding in the form specified in a sub-legal act issued by the Ministry of Finance and Economy.

Article 18 Withholding Tax on Interest

- 1. Each public authority, business organization, bank or other financial institution that makes a payment of interest shall withhold tax in an amount equal to ten percent (10%) of each interest amount paid or credited.
- 2. Each public authority, business organization, bank or other financial institution shall submit a statement of tax withholding and remit the amount of tax withheld to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo within fifteen (15) days after the last day of each calendar month, in accordance with an sub legal act issued by the Ministry of Finance and Economy.
- 3. Each public authority, business organization, bank or other financial institution that pays interest during a tax period shall, upon request, provide by 1 March of the year following the tax

period a certificate of tax withholding in the form specified in a sub legal act issued by the Ministry of Finance and Economy.

Article 19 Withholding Tax on Dividends

- 1. Each business organization that makes a payment of dividends shall withhold tax in an amount equal to ten percent (10%) of each dividend amount paid or credited.
- 2. Each business organization shall submit a statement of tax withholding and remit the amount of tax withheld to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo within fifteen (15) days after the last day of each calendar month, in accordance with an sub-legal act issued by the Ministry of Finance and Economy.
- 3. Each business organization that makes a payment of dividends during a tax period shall, upon request, provide by 1 March of the year following the tax period a certificate of tax withholding (unpaid) in the form specified in a sub-legal act issued by the Ministry of Finance and Economy.

Article 20 Withholding Tax on Lottery or other Game of Chance Payments

- 1. Each organizer of a lottery or game of chance shall withhold tax in an amount equal to ten percent (10%) of each payment of winnings.
- 2. Each organizer of a lottery or game of chance shall submit a statement of withholding and remit the amount of tax withheld to an account designated by the Tax Administration in a bank licensed by the Banking and Payments Authority in Kosovo within fifteen (15) days after the last day of each calendar month, in accordance with an sub legal act to be issued by the Ministry of Finance and Economy.
- 3. Each organizer of a lottery or game of chance during a tax period shall, upon request, provide by March 1 of the year following the tax period a certificate of tax withholding in the form specified in a sub legal act issued by the Ministry of Finance and Economy.

Article 21 Payment of tax for business activities

1. Each taxpayer who receives income from business activities shall make quarterly payments of tax to an account designated by the Tax Administration in a bank licensed by Central Bank of Kosovo no later than fifteen (15) days after the close of each calendar quarter (15 April, 15 July, 15 October, 15 January).

- 2. The amount of each quarterly payment of tax under paragraph 1 of this Article shall be as follows:
 - 2.1. tax payers with annual gross income from business activities of five thousand (5.000) euro or less: thirty seven point five (37.5) euro per quarter;
 - 2.2. taxpayers with annual gross income from business activities of more than five thousand (5.000) up to fifty thousand (50.000) euro who are not required to, and do not opt to, keep the books and records listed in paragraph 14 of Article 9 of this law:
 - 2.2.1. three percent (3%) of each quarter's gross income from trade, transport, agricultural and similar commercial activities, and
 - 2.2.2. five percent (5%) of each quarter's gross income from services, professional, vocational, entertainment and similar activities.
 - 2.3. tax payers with annual gross income from business activities in excess of 50.000 euro, and taxpayers who are required to, or opt to, keep the books and records listed in paragraph 14 of Article 9 of this law:
 - 2.3.1. one-fourth (1/4) of the total tax liability for the current tax period based on estimated taxable income; or
 - 2.3.2. for the second and subsequent tax periods that a taxpayer makes payments under this sub-paragraph, one-fourth (1/4) of 110% of the total tax liability for the tax period immediately preceding the current tax period.
- 3. If the payments of quarterly installments have been made on or before the due dates, and a final settlement has been made as required by paragraph 5 of Article 26 of this law, no interest shall be charged or penalties imposed for insufficient payments, if:
 - 3.1. the difference between the amount due in each installment and the amount paid for each installment is not greater than ten percent (10%) of the amount due; or
 - 3.2. After the tax period 2005 and after the taxpayer's first tax period, the amount paid in each installment is ten percent (10%) higher than one-fourth (1/4) of the tax assessed by the Tax Administration for the preceding tax period.

Article 22 Payment of tax for rents

1. Each taxpayer who receives income from rent shall make quarterly payments of tax to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo no later than fifteen (15) days after the close of each calendar quarter (15 April, 15 July, 15 October, 15 January).

2. The amount of each quarterly payment under paragraph 1 of this Article shall be ten percent (10 %) of the taxable rental income received in the calendar quarter immediately preceding the payment date reduced by any amount withheld during the quarter pursuant to paragraph 2 of Article 27 of Corporate Income Tax Law.

Article 23 Payment of tax for intangible property

- 1. Each taxpayer who receives income from intangible property shall make quarterly payments of tax to an account designated by the Tax Administration in a bank licensed by the Central Bank of Kosovo no later than fifteen (15) days after the close of each calendar quarter (15 April, 15 July, 15 October, 15 January).
- 2. The amount of each quarterly payment under paragraph 1 of this Article shall be ten percent (10%) of the taxable income from intangible property received in the calendar quarter immediately preceding the payment date.

Article 24 Payment of tax for capital gains and other income

Each taxpayer who receives income from capital gains or any other source not described in Articles 17 through 23 above shall make payments of tax on or before 1 April of the year following the tax period in accordance with the provisions set forth in Article 26 of this law.

Article 25 Credits against tax

- 1. Taxpayers may credit against the amount of tax owed under Article 5 of this law for the taxable year the following amounts:
 - 1.1. amounts withheld during the same tax period under Articles 17 through 20 of This Law and paragraph 2 of Article 27 on Corporate Income Tax Law;
 - 1.2. payments of tax under Articles 21, 22 or 23 of This Law and
 - 1.3. income taxes paid to any foreign country if the income on which the foreign tax is paid is subject to tax under This Law. The amount of the foreign tax credit is limited to the amount of tax that would have been paid on such income under this Law.

Article 26 Tax declarations and payments

- 1. Except where paragraphs 2 and 3 of this Article apply, all taxpayers are required to prepare an annual tax declaration on or before 1 April of the year following the tax period. The declaration shall be made on the forms prescribed by the Tax Administration and shall include, among other things, gross income from all sources, allowable deductions, taxable income, and the tax due pursuant to Article 5 of this law.
- 2. Taxpayers who receive or accrue income only from one or more of the following sources are not required to submit an annual declaration:
 - 2.1. wages;
 - 2.2. business activities where tax is paid under sub-paragraphs 2.2 and 2.2 of paragraph 2 of Article 21 of this law;
 - 2.3. rent where a deduction has been made pursuant to sub-paragraph 2.2 of paragraph 2 of Article 10 of this law;
 - 2.4. interest;
 - 2.5. dividends;
 - 2.6. lottery or other game of chance payments; and
 - 2.7. income from intangible property
- 3. Taxpayers whose taxable income calculated under This Law is less than one thousand (1.000) euro are not required to submit an annual declaration.
- 4. Taxpayers who receive or accrue income only from the sources set forth in paragraph 2 of this Article or whose taxable income is less than one thousand (1.000) euro may opt to prepare and submit an annual declaration on or before 1 April of the year following the tax period. The declaration shall be made on the forms prescribed by the Tax Administration and shall include, among other things, gross income from all sources, allowable deductions, taxable income and the tax due pursuant to Article 5 of This Law. In computing taxable income on such declaration, taxpayers who paid tax on business income under sub-paragraphs 2.1 and 2.2 of paragraph 2 of Article 21 of this law shall be allowed a deduction in the amount of 25% of business gross income.
- 5. Taxpayers who are required to submit an annual tax declaration shall submit, together with such declaration, the final amount of tax due. The final amount of tax due shall be the difference

between the total tax owed for the tax period determined in accordance with This Law and the total credits against tax under Article 25 of This Law.

- 6. If the total of the amount of credits against tax pursuant to Article 25 of this Law exceeds the total tax owed for the tax period, the taxpayer shall be entitled to a refund of the excess tax paid.
- 7. The location for submitting tax declarations, remitting tax, and claiming refunds shall be specified in a sub legal act to be issued by the Ministry of Finance and Economy.

Article 27 Implementation

The Minister from Ministry on Economy and Finances shall issue a sub-legal act for the implementation of This Law.

Article 28 Applicable Law

- 1. This law shall make void any provision which is inconsistent with it.
- 2. This law shall enter into force on 1 January 2009, with the exception of section 14 which shall enter into force on 1 January 2010.

Article 29 Entry into Force

This law shall enter into force on 1 January 2009.

Law No. 03/L-115 18 December 2008

President of the	Assembly	of the	Republic	of Kosovo
	Jakup K	RASN	IQI	