

## Kosovo Tax & Legal Alert

---

### In this issue:

- I. Administrative Instruction MF No. 01/2015 on the Use of Fiscal Electronic Devices and Systems
- II. Public Explanatory Decision No. 6/2014 on Taxation of Pensions in Case of Withdrawal from KPST
- III. Reduction in the Interest Rates for Delayed Tax/ Contributions Payments
- IV. Proposed Amendments to Tax Laws



### I. **Administrative Instruction MF No. 01/2015 on the Use of Fiscal Electronic Devices and Systems**

The purpose of this Administrative Instruction is to supplement Administrative Instruction No. 12/2009 in several aspects, most notably in defining the taxpayers subject to the use of fiscal devices and introducing incentive schemes designed to increase compliance with fiscal register regulations.

#### *Requirement to use and install fiscal devices*

An important distinction has been made between taxpayers required to install and use fiscal devices and those who are exempt from this legal requirement. More specifically, the obligation to install and use fiscal electronic devices does not cover:

- Enterprises providing energy, utilities, telecommunications services and other publicly owned enterprises whereby compensation for goods sold or services rendered are paid by submitting bills of calculated consumption through measuring instruments (electricity, heating, water, and telephone) or any other way of billing, such as waste management companies;
- Activities of public governmental institutions such as artistic and literary creations, theatrical arts activities, activities of artistic institutions, activities of libraries, archives and museum.

The above amendments have been introduced as a result of requests by public utility companies, and in particular by the energy utility company which was assisted in this respect from Deloitte Tax & Legal team.

#### *Incentive scheme for compliance with fiscal devices requirements*

An incentive system which rewards final consumers who collect their fiscal receipts has been set up by the Ministry of Finance and TAK. This will involve final consumers sending envelopes to TAK that contain the fiscal receipts during the following month of each quarter. For all final consumers who send fiscal receipts to TAK, reimbursements will be made in the following manner:

1. Group I – Envelopes with more than 30 receipts and total value from € 250 to € 500 will be reimbursed an amount of € 10.
2. Group II – Envelopes with more than 40 receipts and total value from € 501 to € 800 will be reimbursed the amount of € 15.
3. Group III – Envelopes with more than 50 receipts and total value over € 800 will be reimbursed in the amount of € 20.

Final consumers are advised to send the receipts to the closest regional branch of TAK in a sealed envelope with their personal information and bank account number. Further implementation of this incentive scheme will be determined through a guide which will be published by TAK.

#### *Miscellaneous changes*

This Administrative Instruction also provides for the establishment of the Fiscal Cash Register Management Unit within the Tax Administration of Kosovo, which is responsible for various approvals regarding the possession of FEDs (Fiscal Electronic Devices) and the establishment of operators that sell, install, and maintain such equipment.

The Ministry of Finance has also provided special directives on the type of fiscal printers for each of the bellow-mentioned categories:

- Fuel products – gas pumps, gasoline, and similar products
- Transportation services – car wash, parking, transportation, and similar services

Lastly, this Administrative Instruction has recognized the Electronic Journal as an alternative to preserving fiscal receipts in copy paper, subject to approval from the General Director of TAK regarding technical requirements and specifications.

#### **II. Public Explanatory Decision No. 6/2014 on Taxation of Pensions in Case of Withdrawal from KPST**

The purpose of this Explanatory Decision is to provide further details on the method of taxation for pension fund withdrawals from the Kosovo Pension Savings Trust. A regulation by the Central Bank of Kosovo sets out the categories of pension beneficiaries and the procedures which will be followed for each respective category.

1. In the case of an individual account with a balance of € 2,250 or less, the fund can distribute the total amount to the beneficiary.
2. In the case of an individual account with a balance between € 2,250 and € 15,000, the beneficiary has the right to withdraw up to 20% of the sum at once, with the rest being disbursed through withdrawal phases with set percentages of the total sum according to the withdrawal policies.
3. In the case of an individual account with a balance above € 15,000, the beneficiary enjoys similar rights to those under category II.

The taxation on pension benefits will be based on the amount withdrawn by the beneficiary, and will undergo a similar mechanism as taxation on personal income, which is:

- 0% - for benefits between € 0 and € 960
- 4% - for benefits between € 960 and € 3,000
- 8% - for benefits between € 3,000 and € 5,400
- 10% - for benefits above € 5,400

### III. Reduction in Interest Rates for Delayed Tax Payments

According to a decision by the Tax Administration of Kosovo, from the 1<sup>st</sup> of January 2015 the annual interest rate for unpaid tax liabilities will decrease from 15% to 10.92% (monthly 0.91%), and the annual interest rate for refunds from 2.4% to 1.8% (monthly 0.15%), in an effort to increase voluntary compliance with tax liabilities.

### IV. Kosovo – Slovenia Double Tax Treaty enters into force

As of January 1<sup>st</sup>, 2015, the convention between the Republic of Kosovo and the Republic of Slovenia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital is in force.

### V. Proposed Amendment to Tax Laws

During a recent press conference by the Minister of Finance, it was announced that the government is planning to amend tax laws on CIT, PIT, VAT and the law on Tax Administration and Procedures.

Deloitte has been actively engaged in providing its comments and feedback during this time and our professional expertise was highly valued as the Ministry publicly endorsed further changes to legislation based on Deloitte's comments.

Some of the most significant proposed amendments include:

- An increase in standard VAT rate from 16% to 18%
- Introduction of reduced VAT rate (8%) for certain basic necessities and goods
- Reduction of the VAT registration threshold from € 50,000 to € 30,000
- Exemption from VAT on imports of raw materials and production machinery
- Introduction of thin capitalization rule (4:1)
- Reintroduction of dividend tax (10%)
- Increased allowable deductions for charitable contributions and training expenses, and decreased allowable

deductions for representation expenses (from 2% to 1% of annual gross income)

- Reduction in tax loss carry forward from 7 to 6 years
- New requirements with respect to recognition of bad debt for CIT purposes

### Deloitte Contacts:

#### Olindo Shehu, CPA

Partner | Tax & Legal  
Deloitte Albania & Kosova  
Rr. Ali Hadri nn., Industrial Zone  
Prishtina | Kosova  
Cell: +355 68 6033116 – Albania  
Cell: +386 (0)49 780 731 - Kosova  
Email: [oshehu@deloittece.com](mailto:oshehu@deloittece.com)

#### Afrore Rudi

Director | Tax & Legal  
Deloitte Kosova  
Rr. Ali Hadri nn., Industrial Zone  
Prishtina | Kosova  
Cell: +386 (0)49 590 807  
Email: [arudi@deloittece.com](mailto:arudi@deloittece.com)

#### Ruzhdi Zenelaj

Manager | Tax & Legal  
Deloitte Kosova  
Rr. Ali Hadri nn., Industrial Zone  
Prishtina | Kosova  
Cell: +396 (0)49 283 105  
Email: [rozenelaj@deloittece.com](mailto:rozenelaj@deloittece.com)



## **Disclaimer:**

This publication contains general information only, and none of Deloitte Touché Tohmatsu Limited, any of its member firms or any of the foregoing's affiliates (collectively the "Deloitte Network") are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services.

This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

\*\*\*

Deloitte refers to one or more of Deloitte Touché Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.al/about](http://www.deloitte.al/about) for a detailed description of the legal structure of Deloitte Touché Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 210,400 professionals are committed to becoming the standard of excellence