



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

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**Law No. 03/L-114**

**ON VALUE ADDED TAX**

**Assembly of Republic of Kosovo,**

According to paragraph (1) of Article 65 of Constitution of the Republic of Kosovo,

Approves:

**THE LAW ON VALUE ADDED TAX**

**CHAPTER I**

**Article 1**  
**Definitions**

“**Bad debt**” means a payment due to a taxable person that is included in such person’s receipts, but despite the fact that all legal steps have been taken to collect the debt, remains uncollectible.

“**Capital good**” means a good (such as equipment or machinery) used for the production of other goods or services.

“**Consideration**” means any payment or act of forbearance in respect of a supply of goods or services, and shall include an amount that is payable, or goods received in a barter transaction.

“**Credit note**” means a document issued by a taxable person to a recipient of goods or services after a tax invoice has been issued, for the purposes of an adjustment, where the amount of tax charged on the tax invoice exceeds the actual tax due for that taxable supply.

“**Customs Value**” means the total value on which customs duties are calculated or applied in accordance with international practice.

**“Debit note”** means a document issued by a taxable person to a recipient of goods or services after a tax invoice has been issued, for the purposes of an adjustment, where the amount of tax charged on the tax invoice is less than the actual tax due for that taxable supply.

**“Economic activity”** means an activity entered into for the purpose of earning income.

**“Exclusion”** means those imports, inflows or supplies referred to in Article 11 that are excluded from the scope of the value added tax and for which, as a consequence, value added tax is not payable by the recipient.

**“Exempt supply”** means a supply, referred to in Article 12, for which the supplier does not collect value added tax.

**“Export”** means a supply exiting Kosovo country

**“Financial services”** means one or more of the following activities:

1.1.the exchange of currency by exchange of banknotes or coins, by crediting or debiting accounts, or otherwise;

1.2. the issuance, payment, collection or transfer of ownership of a credit instrument such as a cheque or letter of credit;

1.3. the provision of a credit facility, or renewal or variation of obligations under a credit facility contract;

1.4. the issuance, allotment, drawing, acceptance, endorsement, underwriting, renewal, variation or transfer of ownership of a security instrument;

1.5. the provision, taking, variation, or release of a guarantee, indemnity, security instrument, or bond in respect of the performance of obligations under a cheque, credit facility contract, equity security, debt security instrument or participatory security instrument or in respect of the activities specified in subsections 1.2 to 1.4 above;

1.6. the provision, or transfer of ownership, of a life insurance contract or the provision of re-insurance in respect of any such contract;

1.7. the payment or collection of any amount of interest, principal, dividend or other amount whatever in respect of any debt security, equity security, participatory security, credit contract, contract of life insurance, superannuation scheme or futures contract; and

1.8. agreeing to do, or arranging, any of the activities specified in sub paragraphs 1.1 to 1.8 above.

**“Goods”** means all property other than money.

**“Import”** means a supply entering into Kosovo from another country, either directly or after transiting through another country.

**“Input tax”** means the value added tax paid by a taxable person on the input to the person’s.

**“Non-governmental organization”** means a non-governmental organization registered under legislation on the Registration and Operation of Non-Governmental Organizations in Kosovo.

**“Open market value”** means the price at which similar goods of comparable quality and quantity are sold by a supplier to an unrelated person in an arm’s-length transaction.

**“Output tax”** means the value added tax charged on a taxable supply made by a taxable person.

**“Person”** means any physical or legal person, public or private, including but not limited to personal business enterprises, partnerships and other business organizations, municipal and public authorities.

**“Related person”** means any person with special relations to another person that may affect arm’s-length transactions between them.

**“Supply of services”** means any supply that is not a supply of goods.

**“Supply of goods”** means the transfer of the right to dispose of tangible property as owner

**“Taxable supply”** means a supply of goods or services by a taxable person. A taxable supply includes a zero-rated supply but does not include an exempt supply.

**“Taxable person”** means any person who, in furtherance of an economic activity:

1.1 imports, exports,

1.2 not being a person referred to in section 1.25.1, supplies goods or services and has a turnover that exceeds the registration threshold set out in paragraph 4 of article 3 of this law.

**“Tax Administration”** means the Tax Administration of the Kosovo.

**“Turnover”** means gross receipts of a person from all supplies, including zero-rated supplies, exclusions and exempt supplies, made by such person in Kosovo.

**“zero ated supply”** means a taxable supply described in Article 10 for which the rate of the value added tax charged is zero percent (0%) of the taxable value.

## CHAPTER II

### IMPOSITION OF VALUE ADDED TAX AND REGISTRATION

## **Article 2**

### **Value Added Tax**

1. Value added tax or VAT, shall be charged, in accordance with the provisions of this law, on the taxable value of imports, intra inflows and taxable supplies.
2. The value added tax shall be chargeable at the rate of sixteen percent (16%) on the taxable value of imports, intra inflows and other taxable supplies except for zero-rated supplies.
3. The value added tax shall be chargeable at the rate of zero percent (0%) on the taxable value of a zero-rated supply as set out in Article 10.

## **Article 3**

### **Obligation to Register**

1. A taxable person shall apply to be registered for value added tax purposes with the Tax Administration within thirty (30) days of the entry into force of this Law.
2. Where a person becomes a taxable person after the entry into force of this law, the person shall apply to be registered for value added tax purposes within fifteen (15) days from the date that person becomes a taxable person.
3. The turnover for the purposes of determining whether a person is a taxable person as defined in section 1 to definitions shall be calculated based on the total consideration received by the person.
4. Registration threshold, which established at the level of fifty thousand (50,000) euro per calendar year.
5. A taxable person who imports, exports shall apply to be registered for value added tax purposes regardless of the threshold set out in paragraph 4 of this article.
6. Central Bank of Kosovo may, as required, issue an administrative instruction specifying the procedure by which any supplier, who is not required to register, may opt to be registered for value added tax purposes.

## **Article 4**

### **Procedure for Registration**

1. An application for registration for value added tax purposes shall be made in the format that shall be set out in an administrative instruction to be issued by the Central Bank of Kosovo.

2. When registering a person for value added tax purposes, the Tax Administration shall issue to the person a registration certificate containing a unique Taxpayer Identification Number. The registration shall take effect on the date stated on the registration certificate.

3. The Tax Administration may register any taxable person for value added tax purposes whether or not such person has applied to be registered effective on the date on which such person became liable for registration.

## **Article 5**

### **Removal from VAT Register**

1. Subject to paragraph 2 of this Article, a taxable person who closes their business, or no longer engages in economic activity, shall apply to be removed from the register not later than fifteen (15) days after the last day on which the person made or contracted to make imports.

2. A taxable person may apply to be removed from the register if, with respect to the most recent twelve (12) month period, such person's taxable supplies have not exceeded the threshold set forth in paragraph 4 of Article 3 of this law provided that no such application for removal can be made during a period of twelve (12) months from the date the registration took effect.

3. The Tax Administration may remove from the register any person who is not required to be registered under this law, unless such person is registered in accordance with the procedure referred to in paragraph 6 of Article 3 of this law and continues to opt to be registered.

## **CHAPTER III**

### **SUPPLY**

#### **Article 6**

#### **Supply of Goods**

1. A supply of goods shall include, inter alia, the following:

1.1 a supply of electricity, water, gas, heating, refrigeration, air conditioning, commercial samples, by-products of manufacturing process, wastes, or scraps of products or assets;

1.2. a supply of goods made by an agent on behalf of a principal, which shall be treated as a supply by the principal;

1.3. a supply under an agreement for hire purchase or for sales of goods on deferred terms, which provides that the ownership shall pass on payment of the final installment;

1.4. a supply taken by a taxable person for the person's own use and a supply consumed in the person's business;

1.5. a lease of goods;

1.6. a supply of goods by a taxable person to the person's employees, including gratuitous supplies; and

1.7. the transfer of a business or part of a business, subject to paragraph 2 of this article.

2. The supply by a taxable person of taxable goods as part of the transfer of a business or part of a business to another taxable person shall not be regarded as a taxable supply of goods if the transferee is or becomes registered under this Law within thirty (30) days of such transfer.

## **Article 7 Supply of Services**

1. A supply of services shall include, inter alia, the following:

1.1. a supply of sewerage, garbage and soil collection for a fee by a municipal or public authority; and

1.2. a supply of services made by an agent on behalf of a principal, which shall be treated as a supply by the principal.

2. A supply of services shall not include work of any type where an employee renders to his or her employer services in the course of employment for wages.

## **Article 8 Taxable Value of Supply**

1. The taxable value of a taxable supply in Kosovo shall be the total consideration payable for that supply.

2. The taxable value of an import shall be the customs value of the import plus customs duties, excise taxes or other applicable taxes and charges, excluding the value added tax.

3. The taxable value of an inflow shall be the total consideration payable for that supply.

4. The taxable value of a supply made to a related person for consideration that is less than the open market value for the supply shall be deemed to be the open market value of the supply. The procedure for establishing the open market value of a taxable supply

shall be set out in an administrative instruction to be issued by the Tax Administration of Kosovo.

5. The taxable value of a supply made for one's own use, for leased goods, for goods transferred on barter or for gifts shall be the open market value of the supply.

6. Where the amount of value added tax is not itemized separately on the tax invoice, the taxable value shall be the stated amount less the value added tax included in the stated value.

7. Where consideration is given for both a taxable supply and a supply that is not a taxable supply, the taxable value shall be the portion of the consideration attributable to the taxable supply.

8. The taxable value of a taxable supply that has been reduced by a discount shall be the taxable value of the supply reduced by the discount.

9. The taxable value of a taxable supply that has been increased by a premium shall be the taxable value of the supply increased by the premium.

### **Article 9 Place of Supply**

1. Except as otherwise provided in this Law, a supply of goods takes place at the location in Kosovo where the goods are made available to the purchaser by the supplier.

2. Except as otherwise provided in this Law, a supply of services, including transportation service, takes place at the place of business of the supplier or, if this cannot be ascertained, then the place where the services are rendered.

3. A supply in connection with lands and/or buildings takes place where the property is located.

## **CHAPTER IV**

### **ZERO-RATE, EXCLUSION, EXEMPT SUPPLY AND REBATE**

#### **Article 10 Zero-rated Supply**

1. The following supplies shall be zero-rated supplies:

1.1. Exports and imports of goods;

1.2. supply of goods and services in connection with;

1.2.1. the international transportation of goods or passengers,

1.2.2. irrigation of farming lands and

1.3. imports and supply of goods marked in the Annex of this law

2. The proof required to ascertain presentation of an export shall be set forth in an administrative instruction to be issued by the Tax Administration of Kosovo.

### **Article 11 Exclusions**

1. No value added tax shall be charged on the following:

1.1. import of a traveler's personal effects as permitted under the applicable customs provisions;

1.2. import of tourist duty-free goods as permitted under the applicable customs provisions;

1.3. imports, or supplies funded from the proceeds of grants made to for Ministries and Departments governmental or non-governmental organizations in support of humanitarian and reconstruction programs and projects in Kosovo;

1.4. imports or inflows made by, or supplies made to, diplomatic representatives or liaison offices.

1.5. imports or inflows made by, or supplies made to, the United Nations or any of its organs including UNMIK (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 specialized agencies of the United Nations, KFOR, the World Bank and international inter-governmental organizations and

1.6. imports or intra inflows of medicines, medical services, pharmaceutical products, or medical and surgical instruments and apparatus; and

1.7. a fine or penalty levied by public authorities.

### **Article 12 Exempt Supply**

1. The following supplies shall be exempt supplies:

1.1. a supply of medicines, medical services, pharmaceutical products, or medical and surgical instruments and apparatus;

1.2. a supply of public education services;

1.3. a supply of financial services;

1.4. a transfer of title or lease of land or residential property;

1.5. a supply made by a person who imports or makes inflows but whose turnover does not exceed the threshold set forth in Article 3.4; and

1.6. a supply of permits or licenses for a fee by a municipal or public authority.

### **Article 13** **Rebates**

1. Where a person referred to in paragraph 2 of this Article, imports any good, the TAK shall, subject to paragraph 3 of this Article, pay a rebate to the person equal to the amount of value added tax paid by the person on such import.

2. Persons entitled to a rebate under paragraph 1 of this Article shall be the following:

2.1. contractors for UNMIK, the specialized agencies of the United Nations, KFOR, the World Bank and international inter-governmental organizations, upon proof that the goods so introduced into Kosovo are used exclusively in connection with the performance of a contract with UNMIK, the specialized agencies of the United Nations, KFOR, the World Bank or international inter-governmental organizations; and

3. The proof required under paragraph 2 of this Article shall be specified in an administrative instruction to be issued by the MFE.

4. In order to claim the rebate allowed under the present Article, an eligible person shall make an application to the Tax Administration, within one (1) year of the import or inflow on which rebate is claimed, in accordance with the procedure to be set out in an administrative instruction issued by the MFE.

## **CHAPTER V**

### **TAX INVOICE, TIME OF LIABILITY AND REMITTANCE**

#### **Article 14** **Tax Invoice**

1. A taxable person who makes a taxable supply shall issue to the person receiving the supply a tax invoice in respect of that supply.

2. For a taxable supply in Kosovo, inflows and outflows, the tax invoice shall be the commercial invoice. The information required to be stated on such invoice shall be specified in an administrative instruction to be issued by the MFE.

3. For imports or exports the tax invoice shall consist of the unified customs declaration as required under applicable customs provisions.

## **Article 15 Adjustments**

Where the amount of value added tax charged on the tax invoice is less or greater than the actual value added tax payable for that supply, the supplier shall issue a credit note or a debit note, as applicable.

## **Article 16 Time of Tax Liability**

1. For a taxable supply in Kosovo the value added tax liability shall arise under the accrual method of accounting at the earlier of:

1.1. when the invoice is issued;

1.2. when the goods are made available or the services are rendered to the customer;  
or

1.3. when the consideration is received.

2. For a taxable supply that is continuous, the value added tax liability shall arise each time a tax invoice is issued or, if payment is made earlier, at the time when payment is made.

3. Where the consideration is received on account before the taxable supply is made, the tax shall be charged at the time the consideration is received. Where two or more payments are made for a taxable supply, the value added tax liability shall arise at the time of each payment.

4. For imports, the value added tax liability shall arise at the time prescribed in accordance with the applicable customs provisions, or if there are no relevant customs provisions, at the time of importation.

5. For inflows, the value added tax liability shall arise at the time of the entrance into Kosovo of the supply.

6. For exports, the value added tax liability shall arise at the time prescribed in accordance with the applicable customs provisions, or if there are no relevant customs provisions, at the time of exportation.

7. For outflows, the value added tax liability shall arise at the time of the exit from Kosovo of the supply.

### **Article 17** **Declaration and Remittance**

1. A taxable person shall submit a tax declaration not later than the last day of the calendar month following the end of each tax period and shall remit the value added tax due for the tax period on or before the date the declaration is due.

2. The form of the declaration, the place at which the form shall be submitted and the place and manner of remittance of the value added tax shall be specified in an administrative instruction to be issued by the Central Bank of Kosovo.

### **Article 18** **Tax Remittable**

1. Except where otherwise provided in This law, the total value added tax to be remitted by a taxable person for the tax period is the total output tax as calculated pursuant to Article 20 less the total input tax as calculated pursuant to Article 21.

2. Where an import inflow of a capital good has been made by a taxable person who starts a new business, then the value added tax to be remitted for such import or inflow shall be deferred and set off against the output tax that the taxable person will remit for a period of up to six months from the date of such import or inflow. The procedure for such deferment shall be set out in an administrative instruction issued by the MFE.

3. The deferment shall be made only against a bank guarantee. Where the taxable person fails to set off the whole or a part of the deferred amount within a period of six (6) months from the date of import, inflow, the taxable person shall remit immediately thereafter the amount not set off. This remittance shall be deemed to be the input tax paid in respect of the capital good referred to in paragraph 2 of this Article.

### **Article 19** **Tax Periods**

1. For a taxable supply in Kosovo, including an inflow, the tax period shall be each calendar month, except where otherwise provided in this Law.

2. For imports, the tax shall be payable by the importer in the same manner and at such time as any other import duties prescribed in accordance with the applicable customs provisions.

3. When a taxable person is first registered for the value added tax, the tax period shall begin on the date the registration takes effect and ends on the last day of the same calendar month.

4. Where a person is removed from the register for value added tax, the relevant tax period begins on the first day of the calendar month in which the removal occurs and ends on the day the person is removed from the register.

5. Ministry of Finance and Economy may, through the issuance of an administrative instruction, vary the tax periods with respect to any category of taxable person.

## **Article 20 Output Tax**

1. The total output tax due for a tax period shall be the sum of:

1.1. taxable value of zero (0) rated supplies multiplied by zero percent (0%); plus

1.2. taxable value of taxable supplies other than zero-rated supplies, multiplied by sixteen percent (16%).

## **Article 21 Input Tax**

1. Except where otherwise provided in this Law, the input tax that may be offset as a credit against the output tax for a tax period shall include:

1.1. the total value added tax paid by a taxable person in respect of inputs, including capital goods, for taxable supplies during the tax period; and

1.2. the total value added tax paid by a taxable person on imports and inflows during the tax period.

2. A credit of input tax shall not be allowed for value added tax paid in respect of supplies that are not used for the taxable supplies made by the taxable person.

3. A credit of input tax shall not be allowed for value added tax paid in respect of supplies unless the claimant is in possession of the following:

3.1. for imports or exports, authentic customs documents that shall be specified in an administrative instruction to be issued by the MFE;

3.2. for all other transactions, an authentic invoice issued by a taxable person; or

3.3. proof that the debt is a bad debt, pursuant to Article 22.

4. A credit of input tax shall not be allowed in respect of an exempt supply referred to in Article 12.

## **Article 22 Bad Debt**

1. Where the whole or part of the payment for a taxable supply has not been received by the supplier and is a bad debt, a tax credit shall be allowed in accordance with this Article.
2. A tax credit shall be allowed in any one tax period after the debt has become a bad debt. A debt may become a bad debt not earlier than six months after the close of the tax period in which value added tax on the un-recovered amount was paid.
3. The amount of tax credit allowed under this Article shall be the value added tax paid in respect of the supply that is attributable to the un-recovered amount of the bad debt.
4. Where credit has been allowed for a bad debt and the whole or part of that debt is later paid, the taxable person shall repay to the Tax Administration the part of such credit attributable to the bad debt recovered.

### **Article 23** **Excess Tax and Refunds**

1. If the total input tax paid for a tax period exceeds the total output tax for that period, a taxable person shall carry forward the excess tax credit to the next tax period and to successive tax periods where applicable. Such excess tax credit carried forward may be applied against the output tax liability in the successive tax periods.
2. A taxable person may claim a refund of excess tax if:
  - 2.1. the taxable person has carried forward an amount of the excess tax credit for a continuous period of six months; and
  - 2.2. the amount of the excess tax credit exceeds five thousand (5.000) euro.
3. For exports and intra-outflows, a refund may be claimed even if an excess tax credit has not been carried forward for a continuous period of six (6) months, provided that all the following conditions are met:
  - 3.1. the taxable person's credit of input tax in relation to exports and outflows of goods consistently, for more than six months within a twelve (12) month period, exceeds their output tax liability;
  - 3.2. the taxable person complies with all applicable customs and tax provisions; and
  - 3.3. claims for refund are not made more than once per quarter, or where the tax credit is in excess of five thousand (5,000) euro, more than once per calendar month.

## **CHAPTER VI** **POWERS AND DUTIES**

**Article 24**  
**Tax Authorities**

1. The Tax Administration shall have the exclusive responsibility to administer the value added tax.
2. The Kosovo Customs Service shall, on behalf of the Tax Administration, assess, levy and collect the value added tax on imports and exports, as well as undertake any other function relating to the administration of the value added tax, as may be required.

**Article 25**  
**Duty to Inform of Changes**

A taxable person shall inform the Tax Administration in writing within fifteen (15) days of any change in the person's name, address, economic activities or other information provided to the tax authorities at the time of, or since, the application for registration was made.

**Article 26**  
**Duty to Keep Records**

A taxable person shall keep such books and records for value added tax purposes as shall be specified in a subsequent administrative direction.

**Article 27**  
**Inspection of Records, Assessments, Interest, Enforced Collection**

1. In administering the value added tax, the tax authorities may, inter alia, in accordance with the applicable law:
  - 1.1. require production of relevant documents or other information;
  - 1.2. issue a notice of assessment;
  - 1.3. issue a demand for payment;
  - 1.4. issue a demand for interest;
  - 1.5. carry out audit of documents and declarations; and
  - 1.6. enforce collection of tax owed.

**Article 28**  
**Violations and Penalties**

Any person who commits a tax violation shall be subject to the penalties provided under the applicable law, including those set forth in Law No. 2004/48 on Tax Administration and Procedures.

### **Article 29 Appeals**

1. Any person who contends that an official determination made under this Law is incorrect may make an appeal in accordance with the procedures set forth in Law No. 2004/48 on Tax Administration and Procedures.
2. Any action or decision by the tax authorities in administering the value added tax, including those listed in Article 27 above, shall be regarded as an official determination for the purposes of the taxpayer's appeal rights.

## **CHAPTER VII**

### **IMPLEMENTATION**

#### **Article 30 Implementation**

The Minister of Economy and Finance issue sub-legal act for the implementation of this Law

#### **Article 31 Applicable Law**

This law shall make void any provision which is inconsistent with it.

#### **Article 32 Entry into force**

This Law shall enter into force 1 January 2009.

**Law No. 03/L-114**  
**18 December 2008**

**Kosovo**

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

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**Jakup KRASNIQI**

## ANNEX

Description	Code
Live bovine animals, pure-bred breeding animals Live swine, pure-bred breeding animals Live sheep, pure-bred breeding animals Live goats, pure-bred breeding animals Live poultry, that is to say, fowls of the species <i>Gallus domesticus</i> , ducks, geese, turkeys and guinea fowls, weighing not more than 185 g	0102 10 0103 1000 0104 1010 0104 2010 0105 11 to 0105 19
Live trees and other plants; bulbs, roots and the like, as described within the headings listed in the following column.	0601 and 0602
Potatoes, seed Onions, sets	0701 1000 0703 1011
Spelt for sowing Common wheat and meslin, seed Rye, seed Barley, seed Oats, seed Maize (corn), seed	1001 9010 1001 9091 ex 1002 0000 1003 0010 ex 1004 0000 1005 10
Soya beans, for sowing Sunflower seeds, for sowing Seeds, fruit and spores, of a kind used for sowing	1201 0010 1206 0010 1209
Residues and waste from the food industries, as described within the headings listed in the following column Preparations of a kind used in animal feeding (other than dog or cat food, put up for retail sale)	2301 to 2308 2309 90

Fertilisers, as described within the headings of the chapter listed in the following column	Chapter 31
Fungicides	3808 20
Herbicides, anti-sprouting products and plant-growth regulators	3808 30
Rodenticides	3808 9010

Dryers, for agricultural products.	8419 3100
Mechanical appliances (whether or not hand-operated) for projecting, dispersing or spraying liquids or powders, agricultural or horticultural.	8424 8110 to 8424 8199
Pneumatic elevators and conveyors, specially designed for use in agriculture.	8428 2030
Loaders specially designed for use in agriculture.	8428 9071 and 8428 9079
Agricultural, horticultural or forestry machinery for soil preparation or cultivation; lawn or sports-ground rollers.	8432
Harvesting or threshing machinery, including straw or fodder balers; grass or hay mowers (other than mowers for lawns, parks or sports-grounds); machines for cleaning, sorting or grading eggs, fruit or other agricultural produce, other than machinery of heading 8437.	8433 20 to 8433 90
Milking machines and dairy machinery.	8434
Other agricultural, horticultural, forestry, poultry-keeping or bee-keeping machinery, including germination plant fitted with mechanical or thermal equipment; poultry incubators and brooders.	8436
Pedestrian-controlled tractors.	8701 1000
Agricultural tractors (excluding pedestrian-controlled tractors) and forestry tractors, wheeled.	8701 9011 to 8701 9050