



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

LAW Nr.03/L- 146

ON VALUE ADDED TAX

Assembly of Republic of Kosovo,

In support of Article 65(1) of the Constitution of the Republic of Kosovo,

Approves,

LAW ON VALUE ADDED TAX

CHAPTER I

GENERAL PROVISIONS

Article 1
Purpose

This Law establishes the system of Value Added Tax (VAT) in the territory of the Republic of Kosovo.

Article 2
Definitions

1. The terms used in this Law have the following meaning:

1.1. **TAK-** the Tax Administration of Kosovo.

1.2. **VAT-** Tax on Added Value includes application of overall tax in consumption for goods and services that is exactly proportional with the cost of goods and

services. VAT is calculated in this cost according to the applicable norm, it is loaded in different phases of the production, delivery and living cycle of the trade with goods and services, and in the end it is carried forward from the last consumer.

1.3. **Director** -General Director of Kosovo Tax Administration.

1.4.**The right in rem** -essentially it is a right granted by her owner to use and gain benefits (goods) of the immovable property. Forms of rights in rem are usufruct and long term leasing and other similar rights as defined in Kosovo legislation. Mortgages and loads are not considered as right in rem.

1.5.**Capital goods** - goods likewise equipment and machinery used for the production of other goods and services with a useful service life of one year or more and acquired for a cost price equal to or more than one thousand (1,000) €.

1.6. **Tangible property** - any property which is not intangible property and shall include:

1.6.1. interest in immovable property,

1.6.2. rights in rem giving the holder of those rights a right of use over immovable property; and

1.6.3. shares or interests equivalent to shares giving the holder de jure or de facto rights of ownership or possession of immovable property or any part of immovable property.

1.7. **Intangible property** - patents, copyrights, licenses, franchises, and other property that consists of rights only, but are incorporeal.

1.8. **Consideration** - any act or act of forbearance in respect of a supply of goods or services, and shall include any amount that is payable or goods received in a barter transaction.

1.9. **Barter transaction** - a transaction that involves two parties, where one party provides for the other party goods, services or asset excluding the cash money, in exchange for the goods, service or mean excluding the cash money.

1.10. **Economic activity** - any activity of producers, traders or persons supplying goods or services including mining and agricultural activities and activities of the professions. The exploitation of tangible or intangible properties for the purposes of obtaining income therefrom on a continuing basis shall in particular be regarded as an economic activity.

1.11. **Employer** - any person who pays wages and includes:

- 1.11.1. A public authority,
- 1.11.2. A business organization,
- 1.11.3. A permanent establishment of a non-resident as defined in the Corporate Income Tax legislation,
- 1.11.4. A non-governmental organization,
- 1.11.5. An international organization,
- 1.11.6. A foreign government; and
- 1.11.7. A physical person who pays wages in the course of carrying on business in Kosovo,

1.12. **Employee** - a physical person bound to an employer by a contract of employment or by any other legal ties creating the relationship of employer and employee as regards working conditions, remuneration and the employer's liability, regardless of whether the work is performed under a contract, some other commercial agreement, or whether there is a written or an unwritten agreement. An employee includes all public officials and members of executive, representative and judicial bodies.

1.13. **Resident in Kosovo** – a person that has a business place or a fixed unit, or in a short fall of such business place or a fixed unit, has a place with permanent address or where he usually resides in Kosovo.

1.14. **Derogation** – for the purpose of implementation of this Law, derogation means non-implementation or exclusion from general or standard rule of this law's provision.

1.15. **Rebate** – paid reduction for purchasers after the transaction. Examples include total or partly repayment of money from the seller on returned goods or on misfit of the goods quality.

1.16. **Reductions (Sales)** – reduction from the list or the cost of advertised good or service that is available for buyers in specific conditions. Examples include reduction of cash money, reduction for quick payments, reductions in volume, trade discounts.

1.17. **Fiscal Electronic Device (FED)** - for the purpose of this Law term "Fiscal Electronic Device" includes electronic devices such as fiscal cash registers and electronic devices on the sales points which shall be licensed and authorized from authorized bodies of the Ministry of Finances in order to be recognized as fiscal. These devices use electronic developed memories integrated in cash registers or

developed systems with computer basis for registering the selling transactions, their printings through fiscal printers and their certification through fiscal electronic devices for endorsement and similar devices. Fiscal Electronic Device is used for issuance of fiscal vouchers for the incomes. Issuance of vouchers for incomes does not depend on the payment manner (payment with cash money, payment with credit card or any equivalent payment instrument ex. payment with cheque).

1.18. **Reimbursement for returned good** - for the purpose of this law means reimbursement of the total or partly selling cost of a good, which is returned when the selling cost is registered in Fiscal Electronic Device in compliance with this Law.

1.19. **Cash Back** - bank instrument through which the client after purchasing the goods uses debit card to pay the bought goods and at the same time withdraws cash money from his account through the cashier. These two actions are done with a card payment

1.20. **Output tax** - VAT on supplies which a taxable person makes or goods a taxable person exports.

1.21. **Input tax**- means:

1.21.1. VAT due from or paid by a taxable person in respect of goods or services supplied or to be supplied to him by another taxable person; and

1.21.2. VAT due from or paid by a taxable person in respect of imported goods.

1.22. **Taxable supply** - any supply of goods or services made in the furtherance of any economic activity developed in Kosovo, other than an exempt supply.

1.23. **Exempt supply** and **exempted supply** - any supply of goods or services made in the furtherance of any economic activity carried on in Kosovo, for which the taxable person – supplier is not entitled to charge VAT to the customer,

1.24. **Entity** :

1.24.1. A corporation or other business organization that has the status of a legal person as defined by the Law on Business Organizations;

1.24.2. A business organization operating with publicly and socially owned assets,

1.24.3. A non-governmental organization; and

1.24.4. A permanent establishment of a non-resident.

The term entity does not include a personal business enterprise or a partnership.

1.25. **Person** - a physical person, a legal person or an entity and shall, for the purposes of VAT, include a partnership and a grouping of persons.

1.26. **Legal person** - a corporation or other business organization that has the status of a legal person under the Law on Business Organizations and other legislation applicable in Kosovo.

1.27. **Partnership**- a general partnership and a limited partnership that is not a legal person under the Law on Business Organizations and that normally proportionately shares items of capital, income, profit and loss among its partners.

1.28. **Non-governmental organization** - any foundation, association or organization registered as a non-governmental organization under legislation regulating the registration and operation of Non-Governmental Organizations in Kosovo.

1.29. **Grouping of persons for VAT purposes** - an association of persons set up for a common purpose to develop a special economic activity, including consortiums but excluding partnerships.

1.30. **Chargeable event of VAT** - the occurrence through which the legal conditions necessary for VAT to become chargeable are fulfilled.

1.31. **Chargeability of VAT** - when the TAK becomes entitled under this Law, at a given moment, to claim VAT from the person liable to pay, even though the time of payment may be deferred.

1.32. **Tax invoice** - an invoice or any other document required by Chapter 15 of this Law to be issued by a taxable and non-taxable person in connection with the supply of goods and services.

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

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

1.35. **Fiscal receipt, Coupon** - a document that has some, but not all, of the attributes of an invoice referred to in Chapter 15 of this Law and therefore cannot be used as evidence of entitlement to deduct input VAT referred to in Chapter 13 of this Law,

1.36. **Export and exportation** - goods going out of Kosovo.

For the purposes of the present law, the placing of goods into a free zone or customs procedures or arrangement having the same effect also means export,

1.37. **Import, imported and importation** – goods entering within Kosovo. For the purpose of this law import also means placement of goods on free movement from free zone in Kosovo or customs procedure or arrangements that have the same effect.

1.38. **Single Administrative Document** - a document as determined by Customs legislation in force which is used within the framework of trade of goods with third countries including Customs procedures connected to such trade.

Customs procedure, Customs arrangements, customs warehouses and other Customs terminology such as free zone, temporary storage, suspension regimes, inward and outward processing, reimportation, international transport and others have the meaning given by the Customs legislation in force.

1.39. **Turnover or Total supplies** - the supplies made by a person and includes the taxable and exempt supplies as defined by this Law.

1.40. **Flat Rate scheme for farmers** - a taxation scheme tending to offset the value added tax charged on purchases of goods and services made by the flat rate farmers through adding an additional amount on the price of the supplies made by such farmers to their purchasers-taxable persons. That additional amount is calculated as a percentage of the price and is called flat rate percentage which varies according to the category of farming activity. The flat-rate percentages are defined on basis of relevant macro-economic statistical data which allow to calculate the compensation of input VAT on the purchases made by flat-rate farmers.

1.41. **Flat-rate farmer** - a farmer subject to the flat-rate scheme as referred to in Article 60 of this Law.

1.42. **Kosovo** – The Republic of Kosovo.

1.43. **Independent Review Board**- means the Board established under the Law on Tax Administration and Procedures, to hear tax appeals from taxpayers.

Article 3
Object of Taxation

1. VAT shall be charged in accordance with the provisions of the present Law, on:
 - 1.1. supply of goods and services made for consideration within the territory of Kosovo by a taxable person as meant by Article 4 of this Law and acting as such, and
 - 1.2. the importation of goods in Kosovo.
2. VAT on importation shall be charged and payable in accordance with the arrangements for Customs duties.

CHAPTER II

TAXABLE PERSONS

Article 4
Taxable persons

1. Taxable person is any person who is, or is required to be registered for VAT, and who in Kosovo independently carries out any economic activity in a regular or non-regular manner, whatever the purpose or results of that economic activity.
Any activity of producers, traders or persons supplying goods and services, including mining and agricultural activities of the professions, shall be regarded as “economic activity”. The exploitation of tangible or intangible property for the purposes of obtaining income therefrom on a continuing basis shall in particular be regarded as an economic activity.
2. In paragraph 1 of this Article, the meaning of the term “independently” excludes employed and other persons from VAT in so far as they are bound to an employer by a contract of employment or by any legal ties creating the relationship of employer and employee as regards working conditions, remuneration and the employer’s liability.
3. Authorities of Central and local level and other bodies regulated by Law shall not be regarded as taxable persons in respect of the activities or transactions in which they engage as public authorities, even where they collect duties, fees, contributions or payments in connection with those activities or transactions. However, when they engage in the activities or transactions as defined in Annex 1 to this Law, they shall be regarded as taxable persons in respect of these activities or transactions provided that those activities are not carried out on such a small scale as to be negligible or if carried out by natural or legal persons, where such persons would not have been obliged to register for VAT purposes as referred to in Article 6 of this Law.

4. Bodies of International organizations and foreign countries and their agencies shall not be regarded as taxable persons in respect of the activities or transactions similar or identical to those mentioned in paragraph 3 of this Article, even if they receive payments in connection with those activities. However, agencies of foreign countries shall be regarded as taxable persons in respect of those activities or transactions where their treatment in their own country would result in considering those activities as being carried out by a taxable person.

Article 5 **Certification for import and export**

1. Every person involved in economic activities, shall prior to making his first export or import, notify TAK in advance of such activity and request certification for this activity.
2. TAK will determine the procedure and the conditions for obtaining such certification.

Article 6 **General provisions in respect of Requirement to be registered and issuance of registration certificate**

1. Every person who meets all conditions of the definition of taxable person referred to in Article 4 of this Law, is required to register for VAT from the moment when total supplies in the previous twelve (12) month period, exceeds a threshold of fifty thousand (50,000)€. The month in which the threshold is exceeded counts for the twelve (12) months period calculation. Only that proportion of the supply which results in surpassing the threshold will be taken into consideration for purposes of VAT.
2. When a person is registered for VAT purposes, TAK shall issue such taxable person with a registration certificate containing his name, his fiscal number and unique VAT registration number taxpayer and address or addresses where that person carries on business activity. The original, respectively a certified copy of the registration certificate shall be displayed at each place of business activity so that it can be easily seen and read by the public. The form of the registration certificate shall be provided by TAK.
3. A physical person conducting the same or different economic activities and has several places of economic activity within Kosovo, shall be identified by one individual and unique VAT registration number for the purposes of this Law. Where a physical person got registered for VAT purposes under his personal identification number, TAK shall issue to such person one registration certificate as meant by paragraph 2 of this Article, containing his name, his fiscal number and unique VAT registration number and the address or addresses of the places where that person carries on business.
4. A partnership and grouping of persons shall be identified by one single VAT registration number for the purposes of this Law. A general partner-representative,

respectively member-representative shall be appointed by the partners or members for fulfilling the obligations and exercising the rights defined by this Law. Where the partners and members are not yet registered for VAT purposes, they may opt for being registered for these purposes prior to the registration of the partnership or grouping of persons.

5. The persons not established in Kosovo are subject to VAT registration, from the beginning of their economic activity in Kosovo, regardless of the threshold defined in paragraph 1 of this article. Such taxable persons not established in Kosovo shall appoint a tax representative as referred to in paragraph 5 of Article 52 of this Law except for those cases mentioned under sub-paragraph 4 of Article 52 of this Law. The taxable person shall be registered under his own name and the name of his tax representative within five (5) days after the appointment as tax representative and prior to the starting of economic activity in Kosovo.

6. TAK shall treat any person carrying on the economic activity of a taxable person who dies or becomes bankrupt or incapacitated as if he were registered for VAT purposes from the date on which the taxable person died or became bankrupt or incapacitated until some other person is registered.

Article 7

Compulsory Registration – Compulsory communication of changes in registration data

1. Every person, except otherwise provided in this Law, is obliged to register upon reaching the threshold referred to in paragraph 1 of Article 6 of this Law and shall notify the TAK within fifteen (15) calendar days from the date that the registration obligation arises. The registration has effect from the date that the threshold is exceeded.

2. Every person who has not notified and has not been registered in due time shall be registered in a compulsory way by TAK with retroactive effect as of the date of exceeding the threshold as defined in paragraph 1 of Article 6 above.

Article 8

Voluntary Registration

1. Every person meeting the conditions of Article 4 of this Law, but not fulfilling the registration requirement referred to in Article 6 of this Law, has the right to exercise the option for being registered and shall notify TAK accordingly.

2. TAK shall register such person with effect from the date of receiving the request if the person making the request meets the conditions of Article 4 of this Law.

3. Voluntary registered taxpayers are subject to the same rules in respect of change and cessation of activity as other registered taxable persons in accordance with Article 6 of this Law.

Article 9 Cancellation of registration

1. Every registered taxable person may request that TAK cancel his registration for VAT purposes if his total supplies over the last twelve (12) calendar months, has fallen below the threshold referred to in Article 6 of this Law. The cancellation has effect twelve (12) months after the date of the submission of the request.
2. Every registered taxable person is obliged to require the cancellation from the moment of ceasing his activity. He shall notify TAK within fifteen (15) days after the cessation of his activity. Such cancellation has effect from the date of notification of the cessation of activity.
3. TAK may cancel the registration of a taxable person registered for VAT purposes where such person fails to comply with the provisions of this Law. TAK shall notify the person of the decision and provide the reasons for the decision.
4. The Minister of Economy and Finance shall issue a sub-legal act to determine the procedures in respect of the implementation of the articles 7, 8 and 9 of this Law. This sub-legal act shall also provide specific threshold calculation rules for categories of persons whose turnover is for the majority composed of exempt supplies.

CHAPTER III

TAXABLE TRANSACTIONS

Article 10 Supply of goods

1. Supply of goods means the transfer of the right to dispose of tangible property as owner.
2. In addition to the transaction referred to in paragraph 1 of this Article, each of the following shall be regarded as a supply of goods:
 - 2.1. The transfer of the ownership of property against payment of compensation:
 - 2.1.1. By order made by a public Authority, or
 - 2.1.2. In the name of a public authority, or

2.1.3.Pursuant to the provisions of the Law,

2.2.The actual handing over of goods pursuant to a contract for the hire of goods for a certain period, or for the sale of goods on deferred terms, which provides that in the normal course of events ownership is to pass at the latest upon payment of the final instalment.

2.3.The transfer of goods pursuant to a contract under which commission is payable on purchase or sale.

3. The handing over of certain works of construction as a supply of goods as will be defined in a sub-legal act issued by the Minister of Economy and Finance.

4. The following is treated as tangible property:

4.1.Electricity, gas, heat, refrigeration and the like.

4.2.The rights in rem giving the holder a right of use over immovable property and shares or interests equivalent to shares in respect of immovable property which gives the holder the right of ownership or possession over immovable property or a part of it.

Article 11

Application of goods of the business for non-business needs

1. The application by a taxable person of goods forming part of his business assets for his private use or for that of his staff, or their disposal free of charge or, more generally, their application for purposes other than those of his business, shall be treated as a supply of goods for consideration, where the VAT on those goods or the component parts thereof was wholly or partly deductible.

2. The application of goods for business use as samples or as gifts of small value shall not be treated as a supply of goods for consideration.

3. The Minister of Economy and Finance shall issue a sub-legal act for implementation of this Article.

Article 12

Application of goods for business needs under certain VAT deduction circumstances

1. The application by a taxable person for the purposes of his business of goods produced, constructed, extracted, processed, purchased or imported in the course of such business, where the VAT on such goods, had they been acquired from another taxable

person, would not be wholly deductible, are considered as a supply of goods for consideration.

2. The application of goods by a taxable person for the purposes of a non-taxable area of activity, where the VAT on such goods became wholly or partly deductible upon their acquisition or upon their application in accordance with paragraph 1 of this Article, are considered as a supply of goods for consideration.

3. With the exception of the cases referred to in Article 13 of this Law, the retention of goods by a taxable person, or by his successors, when he ceases to carry out a taxable economic activity, where the VAT on such goods became wholly or partly deductible upon their acquisition or upon their application in accordance with paragraph 1 of this Article, are also considered as a supply of goods for consideration.

Article 13

Transfer of business

1. No supply of goods takes place in the event of a transfer by a taxable person whether for consideration or not or as a contribution to a company, of a totality of assets or part of them.

2. The person to whom the goods are transferred is to be treated as the successor to the transferor and no VAT shall be charged on such transfer provided that the successor to the transferor is a taxable person who is registered or required to register for VAT purposes. The transferor and the transferee shall notify TAK of their intention to implement this Article at least thirty days before the transfer will occur.

3. Any outstanding liability and outstanding right of the transferor provided by, or by virtue of this law before the time of the transfer, become the liability and right of the transferee.

4. All information, books and records relating to the transferred business which are required to be kept by the current VAT law or previous VAT Law or Regulations, shall be kept by the transferee instead of the transferor unless the Director, at the request of the transferor, otherwise directs.

5. The Minister of Economy and Finance shall issue a sub-legal act providing the procedure and rules for applying this Article.

Article 14

Supply of services

1. Supply of services is any transaction which does not constitute a supply of goods.

2. A supply of services may consist, inter alia, in one of the following transactions:
 - 2.1.The assignment of intangible property, whether or not the subject of a document establishing title of ownership,
 - 2.2.The obligation to refrain from an act, or to tolerate an act or situation,
 - 2.3.The performance of services in dependence to :
 - 2.3.1.An order made by a public authority;
 - 2.3.2.In the name of a public authority ; or
 - 2.3.3.In pursuance of the Kosovo Laws.
3. The supply of services for sewerage, offscourings and soil disposal by the municipal and public bodies for consideration.

Article 15

The use of business goods for non-business needs

1. The use of goods forming part of the assets of a business for the private use of a taxable person or of his staff or, more generally, for purposes other than those of his business, where the VAT on such goods was wholly or partly deductible, shall be treated as a supply for consideration.
2. The supply of services carried out without consideration by a taxable person for his private use or for that of his staff or, more generally, for purposes other than those of his business, shall also be treated as a supply for consideration.

Article 16

The use of self-supplied services for business needs

1. The supply of a service by a taxable person for the purposes of his business, where the VAT on such a service if supplied by another taxable person would not be wholly deductible, shall be considered as a supply of a service for consideration.
2. Construction, reconstruction, repair, maintenance and cleaning work with respect of immovable property used or to be used for existing or future economic activity and rendered for free by a taxable person or his staff to himself, shall be treated as a supply of services for consideration.

Article 17
Services in respect of transfer of business

The provisions of Article 13 of this Law shall also apply to the supply of services in respect of transfer of business by replacing supply of goods with supply of services.

Article 18
The supply of services in his own name but on behalf of another person

Where a taxable person acting in his own name but on behalf of another person, takes part in a supply of services, he shall be deemed having received and supplied those services himself.

CHAPTER IV

PLACE OF TAXABLE TRANSACTIONS

Article 19
Place of supply of goods

1. Supply of goods without transport. Where goods are not dispatched or transported, the place of supply is deemed to be the place where the goods are located at the time when the supply takes place.

2. Supply of goods with transport:

2.1. Where goods are dispatched or transported by the supplier, or by the customer, or by a third person, the place of supply shall be deemed to be the place where the goods are located at the time when dispatch or transport of the goods to the customer begins.

2.2. Where goods dispatched or transported by the supplier, by the customer or by a third person are installed or assembled, with or without a trial run, by or on behalf of the supplier, the place of supply shall be deemed to be the place where the goods are installed or assembled.

3. Supply of goods on board ships, aircraft or trains:

3.1. Where goods are supplied on board ships, aircraft or trains during the section of a passenger transport operation effected within Kosovo, the place of supply shall be deemed to be at the point of departure of the passenger transport operation.

3.2. In the case of a trip beginning in Kosovo, going to a place outside of Kosovo and then returning to Kosovo, only that part of the trip from Kosovo to that place outside of Kosovo shall be deemed to have taken place at the point of departure in Kosovo.

3.3. In the case of a return trip, the return leg shall be regarded as a separate transport operation.

4. Supply of natural gas and electricity through distribution systems:

4.1. In the case of the supply of gas through the natural gas distribution system, or of electricity, to a taxable dealer, the place of supply shall be deemed to be the place where that taxable dealer has established his business or has a fixed establishment for which the goods are supplied, or, in the absence of such a place of business or fixed establishment, the place where he has his permanent address or usually resides. For the purposes of this paragraph, “**taxable dealer**” means a taxable person whose principal activity in respect of purchases of gas or electricity is reselling those products and whose own consumption of those products is negligible.

4.2. In the case of the supply of gas through the natural gas distribution system, or of electricity, where such a supply is not covered by sub-paragraph 1 of paragraph 4 of this Article, the place of supply shall be deemed to be the place where the customer effectively uses and consumes the goods.

4.3. Where all or part of the gas or electricity is not effectively consumed by the customer, those non-consumed goods shall be deemed to have been used and consumed at the place where the customer has established his business or has a fixed establishment for which the goods are supplied. In the absence of such a place of business or fixed establishment, the customer shall be deemed to have used and consumed the goods at the place where he has his permanent address or usually resides.

Article 20
Place of supply of service

1. Definition of taxable person for the purpose of this Article:

For the purpose of applying the rules concerning the place of supply of services, the definition of taxable person for this article shall be:

1.1. A taxable person shall be any person who, in the course of their economic activity as referred to in Article 4 of this Law:

1.1.1. makes taxable and exempted supplies of goods and services where his turnover is exceeding fifty thousand (50.000) €.

1.1.2. makes supplies of goods and services on which no VAT can be charged where his turnover does not exceed fifty thousand (50.000) €.

1.2. Any person not included in sub-paragraph 1.1 of this Article shall not be considered as a taxable person with respect to all services offered to him.

2. General rule and particular rules in respect of supply of services to a taxable person acting as such.

2.1. General rule:

The place of supply of services to a taxable person acting as such shall be the place where that person has established his business. However, if those services are provided to fixed establishment of the taxable person located in a place other than the place where he has established his business, the place of supply of those services shall be the place where that fixed establishment is located. In the absence of such place of establishment or fixed establishment, the place of supply of services shall be the place where the taxable person who receives such services has his/her permanent address or usually resides.

2.2. Particular rules:

2.2.1. Service supplies related to the immovable property: Service supply place, related to the immovable property including services of experts and agents for property sales, provision of accommodation in hotel's sector or in sectors of similar functions, such as resting camps or places created to be used as camping sites, issuing the right to use immovable property and services for preparation and coordination of construction work, such as architects services and firms (enterprises) offering supervision of the place, is the place where the immovable property is placed. (*Article 47*)

2.2.2. supply place of passengers transport is the transport place in proportion with covered roads.

2.2.3. supply place shall be the place where in fact happen cases as following related to:

2.2.3.1. services related with allowance of entrance in cultural, artistic, sports, science, education events or similar, such as fairs and exhibition and related to assisting services that deal with allowance of the entrance;

2.2.3.2. services related to cultural, artistic, sports, science, education activities or similar such as fairs and exhibition,

including service supply of organizers of such activities and assisting services related to certain services;

2.2.4. service supply place of the restaurant and supply services with other food from those developed physically in ships, aeroplanes or trains decks during the operation part of passengers transport in Kosovo, shall be the place where the services shall be conducted physically.

2.2.5. place for issuing short-term rent of transportation equipment shall be place where in fact the transportation equipment shall be at client's disposal. For the purpose of this sub-paragraph "short-term" shall mean continuous possession or use of transportation equipment during the period not longer than thirty (30) days and in case of boats no longer than ninety (90) days.

2.2.6. Starting point of transport operation where physically restaurant services are conducted and services of food supply in the ships, aeroplanes or trains decks, during the operation part of passenger transport conducted within Kosovo territory.

2.3. In order to avoid double tax, non-tax or distortion of competition, Minister of Economy and Finances, regarding the services or for some of the services whose supply place shall be regulated with paragraph 2.2 and paragraph 2.3.5 of this Article may:

2.3.1. consider that the supply place of any or all of these services if they happen within Kosovo territory, that are outside Kosovo if efficient use and if domain of these services happens outside Kosovo.

2.3.2. consider that the supply place of any or all of these services, if they happen outside Kosovo that have happened within their territory, if efficient use and if domain of services happens within Kosovo territory.

2.3.3. If the Minister of Economy and Finances determines conditions as described in paragraph 2.3, implementation of every change of provisions of sub-paragraphs 2.3.1 or 2.3.2. shall be conducted through sub-legal act issued after the approval of the Assembly.

3. General rule and particular rules in respect of supply of services to a non taxable persons acting as such:

3.1. General rule:

The place of supply of services to a non-taxable person shall be the place where the supplier has established his business. However, if those services are provided from a fixed establishment of the supplier located in a place other than the place where he has

established his business, the place of supply of those services shall be the place where that fixed establishment is located. In the absence of such place of establishment or fixed establishment, the place of supply of services shall be the place where the supplier has his permanent address or usually resides.

3.2. Particular rules:

3.2.1. Supplies of services connected with immovable property: The place of supply of services connected with immovable property, including the services of experts and estate agents, the provision of accommodation in the hotel sector or in sectors with a similar function, such as holiday camps or sites developed for use as camping sites, the granting of rights to use immovable property and services for the preparation and coordination of construction work, such as the services of architects and of firms providing on-site supervision, is the place where the immovable property is located.

3.2.2. The place of supply of passenger transport is the place where the transport takes place, proportionate to the distances covered.

3.2.3. The place of supply of transport of goods is the place where the transport takes place proportionate to the distances covered.

3.2.4. The place of supply shall be the place where the following events actually take place in respect of:

3.2.4.1 The services in respect of admission to cultural, artistic, sporting, scientific, educational, entertainment or similar events, such as fairs and exhibitions, and of ancillary services related to the admission;

3.2.4.2. The services in connection with cultural, artistic, sporting, scientific, educational, entertainment or similar activities, such as fairs and exhibitions, and of ancillary services related to the respective services;

3.2.5 The place of supply shall be the place where the services are physically carried out:

3.2.5.1. In respect of supply of restaurant and catering services other than those physically carried out on board ships, aircraft or trains during the section of a passenger transport operation in Kosovo.

3.2.5.2. In respect of ancillary transport activities such as loading, unloading, handling and similar activities.

3.2.5.3. In respect of valuations and work on movable property.

3.2.6 The place of short-term hiring of a means of transport shall be the place where the means of transport are actually put at the disposal of the customer-recipient.

For the purpose of this sub-paragraph, “short-term” shall mean the continuous possession or use of the mean of transport throughout a period of not more than thirty (30) days and, in the case of vessels, not longer than ninety (90) days.

3.2.7. The place of supply of restaurant and catering services which are physically carried out on board ships, aircraft or trains during the section of a passenger operation effected within Kosovo, shall be at the point departure of the passenger transport operation.

3.2.8. The place of supply of electronically supplied services which are referred to in Annex II when supplied to non-taxable persons in Kosovo, or who have their permanent address or usually reside in Kosovo, by a taxable person who has established his business in a country outside of Kosovo or has a fixed establishment there from which the service is supplied, or who, in the absence of such a place of business or fixed establishment, has his permanent address or usually resides outside Kosovo, shall be the place where the non-taxable person is established, or where he has his permanent address or usually resides.

Where the supplier of a service and the customer communicate via electronic mail, that shall not of itself mean that the service supplied is an electronically supplied service.

3.2.9 The place of supply of the following services to a non-taxable person who is established or has his permanent address or usually resides outside of Kosovo, shall be the place where that person is established, has his permanent address or usually resides:

3.2.9.1. transfers and assignments of copyrights, patents, licences, trade marks and similar rights;

3.2.9.2. advertising services;

3.2.9.3. the services of consultants, engineers, consultancy firms, lawyers, accountants and other similar services, as well as data processing and the provision of information;

3.2.9.4. obligation to refrain from pursuing or exercising, in whole or in part, a business activity or a right referred to in this Article;

3.2.9.5. banking, financial and insurance transactions including reinsurance, with the exception of the hire of safes;

3.2.9.6. the supply of staff;

3.2.9.7. the hiring of movable tangible property, with the exception of all means of transport;

3.2.9.8. the provision of access and of transport or transmission through, natural gas and electricity distribution systems and the provision of other services directly linked to these;

3.2.9.9. telecommunications services;

3.2.9.10. radio and television broadcasting services;

3.2.9.11. electronically supplied services, in particular those referred to in Annex II.

Where the supplier of a service and the customer communicate via electronic mail, that shall not of itself mean that the service supplied is an electronically supplied service.

3.2.10 The place of supply in respect of telecommunications- and radio- and broadcasting services is Kosovo if those services are supplied to non-taxable persons who are established in Kosovo or who have their permanent address or usually reside in Kosovo, by a taxable person who has established his business outside of Kosovo or has his fixed establishment outside Kosovo from where the services are supplied, or who, in the absence of such a place of business or fixed establishment, has his permanent address or usually resides outside Kosovo.

3.2.11 The place of supply of services rendered to a non-taxable person by an intermediary acting in the name and on behalf of another person shall be the place where the underlying transaction is supplied in accordance with this Law.

3.3. In order to avoid double taxation, non-taxation or distortion of competition, the Minister of Economy and Finance may, with regard to services or for some of

the services the place of supply of which is governed by the paragraph 2.1, 3.2.6 and 3.2.9, (a) till (j) :

3.3.1. Consider the place of supply of any or all of those services, if situated within Kosovo, as being outside Kosovo if the effective use and enjoyment of the services takes places outside Kosovo.

3.3.2. Consider the place of supply of any or all those services, if situated outside Kosovo, as being situated within their territory if the effective use and enjoyment of the services takes place within Kosovo.

3.3.3 If the Minister of Economy and Finance determines that conditions exist as described in paragraph 3.3 implementation of any revisions of the provisions of sub-paragraph 3.3.1 or 3.3.2 shall be through a sub-legal act issued subject to the approval of the Assembly.

Article 21

Place of importation of goods

1.General rule:

The place of importation of goods shall be where the goods are located when they enter Kosovo.

2. Derogations:

2.1.By way of derogation from paragraph 1 of this Article, where, on entry into Kosovo, goods which are not in free circulation are placed under one of the Customs arrangements such as customs warehouses or other similar Customs arrangements or under temporary importation arrangements with total exemption from import duty, or under transit arrangements, the place of importation of such goods shall be that place in Kosovo where the goods cease to be covered by those arrangements or situations.

2.2.Similarly, where, on entry into Kosovo, goods which are in free circulation are placed under one of the arrangements or situations referred to in sub-paragraph 1 of paragraph 2 of this Article, the place of importation shall be that place in Kosovo where the goods cease to be covered by those arrangements or situations.

2.3.The Minister of Economy and Finance shall issue a sub-legal act in which the implementation of this paragraph shall be explained.

CHAPTER V

CHARGEABLE EVENT AND CHARGEABILITY OF VAT

Article 22

Chargeable event and chargeability of VAT in respect of supply of goods and services

1. General rule:

The chargeable event shall occur and VAT shall become chargeable when the goods or the services are supplied.

2. Specific rules in the case of successive statements of accounts or successive payments:

2.1. Where it gives rise to successive statements of account or successive payments, the supply of goods, other than that consisting in the hire of goods for a certain period or the sale of goods on deferred terms, as referred to sub-paragraph 2 of paragraph 2 of Article 10, or the supply of services shall be regarded as being completed on expiry of the periods to which such statements of account or payments relate.

2.2. The continuous supply of goods or services over a period of time is to be regarded as being completed at intervals of one month.

2.3. Long term contracts including long term construction contracts and long term installation contracts shall be regarded as completed at regular intervals but at least at the end of each calendar year.

3. Payment on account before the goods or services, are supplied:

3.1. Where a payment is to be made or made on account before the goods or services are supplied, VAT shall become chargeable on receipt of the payment and on the amount received.

3.2. Invoice issued before the goods or services are supplied:

Where an invoice is issued before the goods or services are supplied, VAT shall become chargeable when the invoice was issued.

4. Special cases:

4.1. In the cases of supplies of goods or services referred to in the articles 11, 12, 15 and 16 of this Law, VAT shall become chargeable in the tax period in which the chargeable event has occurred.

4.2. The Minister of Economy and Finance shall issue a sub-legal act in order to provide that VAT is to become chargeable from the date of the chargeable event in respect of certain transactions or certain categories of taxable persons, where the time limit imposed for the issuance of the invoice as referred to in paragraph 4 of Article 44 of this Law is not respected.

Article 23

Chargeable event and chargeability of VAT in respect of importation of goods

1. General rule:

The chargeable event shall occur and VAT shall become chargeable when the goods are imported.

2. Special rules:

2.1. Where, on entry into Kosovo, goods which are not in free circulation are placed under one of the arrangements or situations referred to in Article 35 of this Law, the Customs transit procedure or under temporary importation arrangements with total exemption from import duty, or under external transit arrangements, the chargeable event shall occur and VAT shall become chargeable only when the goods cease to be covered by those arrangements or situations.

2.2. Where imported goods are subject to customs duties, the chargeable event shall occur and VAT shall become chargeable when the chargeable event in respect of those duties occurs and those duties become chargeable.

2.3. The provisions in force regulating Customs duties applies as regards the chargeable event and the moment when VAT is chargeable, where imported goods are not subject to Customs duties in Kosovo.

CHAPTER VI

TAXABLE AMOUNT

Article 24

Taxable amount in respect of supply of goods and services

1. General rule:

- 1.1. In respect of the supply of goods or services, other than as referred to in the paragraphs 2 and 3 of this Article, the taxable amount shall include everything which constitutes consideration obtained or to be obtained by the supplier, in return for the supply, from the customer or a third party, including subsidies directly linked to the price of the supply;
 - 1.2. if the supply is for a consideration in money, its value shall be taken to be such amount as is equal to the consideration;
 - 1.3. If the supply is for a consideration not consisting or not wholly consisting of money, its value shall be taken to the open market value of the supply.
2. For the purpose of this Law “open market value” shall mean the full amount that, in order to obtain the goods or services in question at that time, a customer at the same market level at which the supply of goods or services takes place, would have to pay, under conditions of fair competition, to a supplier at arm’s length within Kosovo in which the supply takes place.
3. Where no comparable supply of goods or services can be ascertained, “open market value” shall mean the following:
 - 3.1. In respect of goods, an amount that is no less than the purchase price of the goods or of similar goods or, in the absence of a purchase price, the cost price, determined at the time of the supply;
 - 3.2. In respect of services, an amount that is not less than the full cost to the taxable person of providing the service.
4. The taxable amount includes the following factors:
 - 4.1. Taxes, duties, levies and charges, excluding the VAT itself,
 - 4.2. Incidental expenses, such as commission, packing, transport and insurance costs, charged by the supplier to the customer.
 - 4.3. For the purposes of sub-paragraph 2 of paragraph 4 of this Article, incidental expenses may be covered by a separate agreement.
5. Returnable packing costs are excluded from the taxable amount but this amount shall be adjusted if the packing is not returned.
6. The taxable amount shall not include the following factors:
 - 6.1. Price reductions by way of discount of early payment,

6.2. Price discounts and rebates granted to the customer and obtained by him at the time of the supply,

6.3. Amounts received by a taxable person from the customer, as repayment of expenditure incurred in the name and on behalf of the customer, and entered in his books in a suspense account.

7. Special rules:

7.1. Where a taxable person applies or disposes of goods forming part of his business assets, or where goods are retained by a taxable person, or by his successors, when his taxable economic activity ceases, as referred to in Articles 11 and 12 of this Law the taxable amount shall be the purchase price of the goods or of similar goods or, in the absence of a purchase price, the cost price, determined at the time when the application, disposal or retention takes place.

7.2. In respect of the supply of services, as referred to in Article 15 where goods forming part of the assets of a business are used for private purposes or services are carried out free of charge and paragraph 2 of Article 16 with respect of certain self-supplied services, the taxable amount shall be the full cost to the taxable person of providing the services.

7.3. In respect of the supply by a taxable person of a service for the purposes of his business, as referred to in paragraph 1 of Article 16 of this Law, the taxable amount shall be the open market value of the service supplied.

8. Measures to avoid tax evasion or tax avoidance:

To prevent tax evasion or avoidance, the taxable amount is to be the open market value in any of the following cases in respect of the supply of goods and services involving family or other close personal ties, management, ownership, membership, financial or legal ties:

8.1. Where the consideration is lower than the open market value and the recipient of the supply does not have a full right of deduction under article 36 of this Law;

8.2. Where the consideration is lower than the open market value and the supplier does not have a full right of deduction under article 36 of this Law and the supply is an exempt supply as referred to in paragraph 1 of article 27 and paragraphs 1 and 3 of article 28 of this Law.

8.3. Where the consideration is higher than the open market value and the “supplier” does not have a full right of deduction under article 36 of this Law.

9. The Minister of Economy and Finance shall issue a sub-legal act for the implementation of this article. This act shall in particular include the proof required from

the taxable person of the actual amount of the repaid expenditure referred to subparagraph 3 of paragraph 6 of Article 24 of this Law.

Article 25

Taxable amount in respect of importation of goods. Converting the value of foreign currency into Euro

1. The taxable amount in respect of importation of goods:

1.1. In respect of the importation of goods, the taxable amount shall be the value for customs purposes, determined in accordance with the Customs legislation in force in Kosovo.

1.2. The taxable amount shall include the following factors, in so far as they are not already included:

1.2.1. Taxes, duties, levies and other charges due outside Kosovo, and those due by reason of importation, excluding the VAT to be levied,

1.2.2. Incidental expenses, such as commission, packing, transport and insurance costs, incurred up to the first place of destination within the territory of Kosovo as well as those resulting from transport to another place of destination within Kosovo if that other place is known when the chargeable event occurs.

1.2.3. For the purposes of 1.2.2. of this Article, "first place of destination" means the place mentioned on the consignment note or on any other document under which the goods are imported into Kosovo. If no such mention is made, the first place of destination shall be deemed to be the place of the first transfer of cargo in Kosovo.

1.3. The taxable amount shall not include the following factors:

1.3.1. Price reductions by way of discount for early payment,

1.3.2. Price discounts and rebates granted to the customer and obtained by him at the time of importation.

1.4. Where goods temporarily exported from Kosovo, are re-imported in Kosovo after having undergone outside Kosovo, repair, processing, adaptation, making up or re-working outside of Kosovo, the taxable amount shall be the value of the repair, processing adaptation, making up or re-working, as determined in accordance with the Customs legislation.

2.The Conversion of foreign currency into Euro:

2.1.Where the value and factors used to determine the taxable amount on importation are expressed in a foreign currency, the conversion of this amount into euro shall be made by applying the exchange rate determined in accordance with the Customs regulations governing the calculation of the value for customs purposes.

2.2.Where the value and factors used to determine the taxable amount of a transaction other than the importation of goods are expressed in a foreign currency,the conversion of this amount into the domestic currency Euro shall be the latest selling rate as defined by the Central Bank of Kosovo recorded at the time VAT becomes chargeable.

CHAPTER VII

RATES

Article 26 The Rate

1. Standard rate:

1.1.The VAT is charged at the rate of sixteen percent (16%).

2.The Minister of Economy and Finance may,upon decision of the Government of Kosovo after the approval of the Assembly, issue a sub-legal act for introducing a reduced rate not lower than five percent (5 %) for designated supplies of goods and services.Subject to the same procedure and as deemed necessary, the Minister may also introduce a temporary higher rate of VAT not higher than twenty-one (21 %) to be applied against designated supplies of goods and services. The reduced and increased rates may only apply to supplies of goods and services as listed in Annex III.

CHAPTER VIII

EXEMPTIONS WITHOUT RIGHT OF DEDUCTION OF INPUT VAT

Article 27 Exemptions for certain activities in the public interest

1. The following transactions are exempted:

1.1.Hospital services and medical care and closely related activities undertaken by bodies governed by Kosovo law in force or, under social conditions , in particular

charging prices comparable with those applicable to bodies governed by Kosovo law in force, by hospitals, centres for medical treatment or diagnosis and other duly recognised establishments of a similar nature;

1.2.The provision of medical care in the exercise of the medical and paramedical professions as defined by Kosovo laws into force and the supply of medicines, pharmaceutical products and medical and surgical instruments and apparatus,

1.3.The supply of human organs, blood and mother milk.

1.4.The supply of services by dental technicians in their professional capacity and the supply of dental prostheses by dentists and dental technicians,

1.5.The supply of services by independent groups of persons, who are carrying on an activity which is exempt from VAT or in relation to which they are not taxable persons, for the purpose of rendering their members the services directly necessary for the exercise of that activity, where those groups merely claim from their members exact reimbursement of their share of the joint expenses, provided that such exemption is not likely to cause distortion of competition,

1.6.The supply of services and of goods closely linked to welfare and social security work, including those supplied to old people's homes, by competent bodies of Kosovo or by other bodies recognised by the competent Authority of Kosovo as being devoted to social welfare and become at comparable prices,

1.7.The supply of services and of goods closely linked to the protection of children and young persons by bodies governed by Kosovo laws or by other organisations recognised by the competent Authority of Kosovo as being devoted to social wellbeing and become at comparable prices,

1.8.The provision of children's or young people's education, school or university education, vocational training or retraining, including the supply of services and of goods closely related thereto, by bodies governed by Kosovo law having such as their aim or by other organisations recognised by the competent Authority of Kosovo as having similar objects and become at comparable prices,

1.9.Tuition given privately by teachers and covering school or university education within the context of schools or universities as referred to in sub-paragraph 8 of paragraph 1 of this Article.

1.10.The supply of staff by religious or philosophical institutions for the purpose of the activities referred to in sub-paragraphs 1, 6, 7, and 8 of paragraph 1 of this Article and with a view to spiritual welfare;

1.11. The supply of services, and the supply of goods closely linked thereto, to their members in their common interest in return for a subscription fixed in accordance with their rules by non-profit-making organisations with aims of a political, trade-union, religious, patriotic, philosophical, philanthropic or civic nature, provided that this exemption is not likely to cause distortion of competition;

1.12. The supply of certain services closely linked to sport or physical education by non-profit-making organisations to persons taking part in sport or physical education where the purpose of those services is directly necessary for that education,

1.13. The supply of certain cultural services, and the supply of goods closely linked thereto, by bodies governed by Kosovo law or by other cultural bodies recognised in Kosovo where the aim of such services is to promote the cultural events and potentials of Kosovo inside and outside its territory,

1.14. The supply of services and goods, by organisations whose activities are exempt pursuant to sub-paragraphs 1, 6, 7, 8, 9, 12, 13 of paragraph 1 of this Article, in connection with fund-raising events organised exclusively for their own benefit, provided that exemption is not likely to cause distortion of competition. However the supply of goods is not granted exemption in the following cases:

1.14.1. Where the supply is not essential to transactions exempted,

1.14.2. Where the basic purpose of the supply is to obtain additional income for the body in question through transactions which are in direct competition with those of commercial enterprises subject to VAT.

1.15. The supply of transport services for sick or injured persons in vehicles specially designed for the purpose, by the authorised body,

1.16. The activities, other than those of a commercial nature, carried out by public radio and television bodies.

1.17. The activities carried out by institutions of religious communities which are having as direct and exclusive purpose the realization of religious convictions or beliefs including welfare and charitable objectives and the seminaries or other establishments for the training of religious ministers or teachers of religious education .

1.18. The supply of materials of the printing industry as defined hereafter in the course of retail trade, made to a final user, provided that such supply occurs to a person without VAT input right of deduction.

These materials are the materials with the following Customs nomenclature codes TARIC:

1.18.1 Code 4901: Printed books, brochures, leaflets and similar printed matter, whether or not in single sheets;

1.18.2. Code 4903: Children's picture, drawing or colouring books.

1.18.3 Code 4904: Music, printed or in manuscript, whether or not bound or illustrated.

For the purposes of this paragraph, "supply to a person without right of deduction" means supply to a person who is using the printed material for private use or for application for purposes other than those of business. This exemption does not include the supply of pornographic or other printed materials considered to be of a pornographic nature.

2. Exemptions other than those provided for in the sub-paragraphs 1, 6, 7, 8, 9, 12 and 13 of paragraph 1 of this Article, may be granted to other bodies than those governed by Kosovo law in force. Such exemptions may be granted by sub-legal act and shall not be granted where the supply is not essential to the transactions exempted and where the basic purpose is to obtain additional income for the body in question through transactions which are in direct competition with those of commercial enterprises subject to VAT.

3. The Minister of Economy and Finance shall issue a sub-legal act with the rules and conditions for implementation of the paragraphs 1 and 2 of this Article and may limit the scope of these exemptions during a transitional period referred to in Article 64 of this Law. The Minister may as well impose measures needed to prevent distortion of competition to the disadvantage of taxable persons subject to VAT. He shall also define the competent authorities and bodies of Kosovo mentioned in this article and the manner in which non-public bodies or organizations will be recognized by the public authorities for making exempt supplies or to which exempt supplies can be made.

Article 28

Exemptions for other activities

1. The following other activities are exempted:

1.1. Insurance and reinsurance transactions, including related services performed by insurance brokers and insurance agents,

1.2. The granting and the negotiation of credit and the management of credit by the person granting it,

- 1.3. The negotiation of or any dealings in credit guarantees or any other security for money and the management of credit guarantees by the person who is granting the credit,
 - 1.4. Transactions, including negotiation, concerning deposit, current accounts, payments, transfers, debts, cheques and other negotiable instruments, but excluding debt collection,
 - 1.5. Transactions, including negotiation, concerning currency, bank notes and coins used as legal tender, with the exception of collectors' items, that is to say, gold, silver or other metal coins or bank notes which are not normally used as legal tender or coins of numismatic interest,
 - 1.6. Transactions, including negotiation but not management or safekeeping, in shares, interests in companies or associations, debentures and other securities, but excluding documents establishing title to goods, and the rights or securities referred to in sub-paragraph 2 of paragraph of Article 10 of this Law,
 - 1.7. The management of special investment funds as defined by the competent Authorities of Kosovo,
 - 1.8. The supply at face value of postage stamps valid for use for postal services within Kosovo, fiscal stamps and other similar stamps,
 - 1.9. Betting, lotteries and other forms of gambling, subject to the conditions and limitations laid down by the competent Authorities of Kosovo.
 - 1.10. The supply of land or land on which a building or house stands.
 - 1.11. The supply of houses, apartments or other accommodation used for a relevant residential purpose.
 - 1.12. The leasing or letting of immovable property.
2. The following shall be excluded from the exemption provided for in sub-paragraph 11 of paragraph 1 of this Article:
- 2.1. The provision of accommodation, as defined in the legislation of Kosovo, in the hotel sector or in sectors with a similar function, including the provision of accommodation in holiday camps or on sites developed for use as camping sites.
 - 2.2. The letting of premises and sites for the parking of vehicles.
 - 2.3. The letting of permanently installed equipment and machinery.
 - 2.4. The hire of safes.

2.5.The leasing or letting of immovable property for commercial purposes with the exclusion of land.

3. Special exemptions granted to eligible religions of Kosovo in conformity with the Law No. 02/L- 31 on Freedom of Religion in Kosovo and other applicable Laws:

3.1.Supplies of goods and services to eligible religions of Kosovo for exercising economic activities specific to their self-sustainability, such as the production of embroidery and clerical vestments, candles, icon painting, woodcarving and carpentry, and traditional agricultural products, shall be exempted.

3.2.For the purpose of this sub-article: “Religion” shall mean the Islamic Community of Kosovo, the Serbian Orthodox Church, the Roman Catholic Church, the Jewish Religious Community and the Evangelical Church,

3.3.“Eligible religion” shall mean every religion which is entitled to have the benefit of the exemption as defined in this paragraph.

3.4.The exemption also covers relevant products, materials, machinery, tools and livestock for exercising the economic activities referred to in sub-paragraph 3 of paragraph 1 of this Article.

3.5.The Minister of Economy and Finance shall, in respect of each eligible religion as defined in the Law No. 02/L_31 or other applicable law, issue a sub-legal act in which, the keeping of records and journals, the submission of an annual statement for tax purposes and an agreed verification procedure in respect of the sub-paragraphs 1 and 2 of paragraph 3 of this Article, shall be defined.

CHAPTER IX

EXEMPTIONS ON IMPORTATION AND OTHER SPECIAL EXEMPTIONS IN RESPECT OF IMPORTATION

Article 29

Exemption on importation

1.The following shall be exempted from VAT:

1.1.The release of goods for free circulation, if the supply of such goods effected on the territory of Kosovo by a taxable person were in all circumstances exempt from VAT.

1.2.The reimportation by the person who exported them, of goods in an unchanged condition in which they were exported, provided that such goods are exempt from customs duties in accordance with Customs legislation,

1.3.Imported goods exempt from customs duties and intended for:

1.3.1.Official use of diplomatic and consular offices and special missions accredited to Kosovo. For consular offices headed by honorary consular officials an exemption in accordance with this sub-point shall only apply to goods sent by the dispatching state, other than means of transport, provided the Ministry responsible for Foreign Affairs issues approval for these goods,

1.3.2.Official use of international organisations, if these are laid down by international treaties or agreements which apply to Kosovo,

1.3.3.Personal use of the foreign staff of diplomatic and consular special missions accredited to Kosovo, including their family members,

1.3.4.Personal use of the foreign staff of international organisations, including their family members, if this is laid down by international treaties which apply to Kosovo,

1.3.5.Armed Forces of the North Atlantic Treaty Organization and KFOR, for the use of such forces or the foreign civilian staff accompanying them or for the supply of their messes or canteens.

1.3.6 Personal use of the foreign staff of contractors of international organizations or foreign governments and their organizations, including their family members, if this is laid down in bilateral agreements which apply to Kosovo.

1.4.Exemptions under 1.3.1. and 1.3.4 of this Article, shall not be exercised by nationals of Kosovo or foreign nationals with permanent address in Kosovo. Exemption under this sub-paragraph shall be implemented on the basis of certificates issued by the Ministry of Foreign Affairs. Goods exempt from VAT in accordance with this sub-paragraph shall not be alienated. They may be alienated only on condition that VAT is paid or after termination of a three-year period from the day of the import of goods.

1.5.If, in accordance with an international treaty, exemption could be implemented only under condition of reciprocity, the Ministry responsible for foreign affairs shall confirm such reciprocity.

1.6.The detailed conditions and the method for exercising a VAT exemption and setting of the quantitative restrictions for particular types of goods for which

entitled beneficiaries under of this Article, may claim exemption from VAT, shall be prescribed by sub-legal act issued the Minister of Economy and Finance,

1.7.Import of catches of fishing vessels and fishing boats used for the purpose of carrying out a fishing activity into a port, provided that the catch is either unprocessed or subject to only those procedures that are necessary to preserve its quality and that, prior to the importation, no supply was performed in accordance with this Law,

1.8.Services related to the import of goods, provided that the value of such services is included in the taxable amount in accordance with sub-paragraph 1.2 of Article 25 of this Law,

1.9.Gold and other precious metals, bank notes and coins imported by the Central Bank of Kosovo,

1.10.Import of gas through natural gas distribution systems or import of electricity.

2.The import of the goods listed in the Annex IV of this Law are exempted during the transitional period referred to in Article 64 of this Law.

Article 30

Other special exemptions in respect of importation

1. In respect of imported goods and their release into free circulation, the following shall be exempted from VAT in accordance with the conditions and time limits set out in the Customs legislation:

1.1.Consignments of insignificant value sent directly from abroad. This exemption shall not apply to tobacco and tobacco products, alcohol and alcoholic beverages, perfumes and toilet water. The total value of goods in an individual consignment deemed to be insignificant shall not exceed an amount determined by sub-legal act issued by the Minister of Economy and Finance,

1.2.Used personal property belonging to a natural person who has lived abroad for an uninterrupted period of at least twelve (12) months and who moves to Kosovo. This exemption shall not apply to alcoholic beverages, tobacco and tobacco products, motor vehicles and equipment for the performance of an economic activity,

1.3.Items belonging to a person who has lived abroad for an uninterrupted period of at least twelve (12) months and who moves to Kosovo. This exemption shall not apply to alcoholic beverages, tobacco and tobacco products, motor vehicles and equipment for the performance of an economic activity,

1.4. Items acquired on the basis of inheritance by a natural person who lives permanently in Kosovo. This exemption shall not apply to alcoholic beverages, tobacco and tobacco products, means of transport, equipment, stocks of raw materials, semi-products and finished products, livestock and agricultural products exceeding normal family needs,

1.5. Study aids brought for their own requirements by pupils and students coming to Kosovo for the purpose of study,

1.6. Goods in the personal luggage of a traveller which are imported for non-commercial purposes and which are exempted from payment of customs duties in accordance with Customs Legislation,

1.7. Goods in small consignments of a non-commercial character which are sent by a natural person residing abroad free of charge to a natural person on the customs territory of Kosovo up to the value, and for tobacco and tobacco products, alcohol and alcoholic beverages, perfumes and toilet water up to quantities, prescribed by sub-legal act issued by the Minister of Economy and Finance,

1.8. Honorary decorations and prizes if their nature or individual value indicates that they are not being imported for commercial purposes, occasional gifts received within the framework of international relations, provided they do not reflect a commercial purpose, on the condition of reciprocity, items intended for foreign heads of state or their representatives for their requirements during an official visit to Kosovo. This exemption shall not apply to alcoholic beverages, tobacco and tobacco products,

1.9. Therapeutic substances of human origin and reagents for determining blood groups and tissue types that are used for non-commercial medical or scientific purposes, pharmaceutical products for health care or veterinary use at international sporting events, laboratory animals, animal, biological and chemical substances sent free of charge which are intended for scientific research, and samples of reference substances intended for quality control of medical products approved by the World Health Organisation,

1.10. Goods acquired free of charge by state bodies, charitable and philanthropic organisations intended for free distribution to persons in need of help, or goods sent free of charge and without any commercial intent for the purpose of being used exclusively for meeting their work needs or for carrying out their tasks. This exemption shall not apply to alcoholic beverages, tobacco and tobacco products, coffee and tea, and motor vehicles (except for rescue vehicles). This exemption shall apply only to organisations that keep appropriate accounts and enable the competent bodies to supervise their operations and which, where necessary, offer insurance of VAT payment,

1.11. Goods imported by state bodies and organisations, charitable and philanthropic organisations intended for free distribution to victims of natural and other disasters and wars, or goods which remain the property of these organisations but are made available to the aforementioned victims. This exemption shall not apply to material and equipment for the renovation of areas affected by natural and other disasters. This exemption shall apply only to organisations that keep appropriate accounts and enable the competent bodies to supervise their operations and which, where necessary, offer insurance of VAT payment,

1.12. Items that are specially made for the education, training or employment of the blind and deaf or other physically or mentally handicapped persons if they were acquired free of charge and imported by institutions or organisations whose activity is education or assistance to these persons and provided no commercial intent is expressed by the donors.

1.13. Equipment which is used by the owner for the performance of his economic activity where he is moving that activity to Kosovo. This exemption shall not apply to means of transport, fuel, stocks of goods, products and semi-products, and livestock owned by traders.

1.14. Plant and livestock products obtained by farmers who are Kosovo nationals on their property within the border region of a neighbouring country and young animals and other products obtained from livestock which they have on this property for the purposes of farm labour, pasture or wintering, seeds, fertiliser and similar products for cultivation of the soil used by farmers who are foreign nationals on their property in Kosovo,

1.15. Samples of goods of insignificant value intended for obtaining orders for goods of the same type and which, with regard to their appearance and quantity, are not usable for any other purposes.

1.16. Printed matter and advertising material of no commercial value and with a destination for promotion, sent by a person who established his business outside Kosovo.

1.17. Goods intended for use at a trade fair, exhibition or similar event. This exemption shall not apply to alcoholic beverages, tobacco and tobacco products and fuels,

1.18. Goods which in order to determine their composition, quality or other technical characteristics are intended for examination, analysis and testing and which are completely used or destroyed. This exemption shall not apply to goods used in examination, analysis or testing in order to promote sales.

1.19. Items and accompanying documents which in connection with the acquisition or protection of trademarks, patents and models are sent to organisations for protection of intellectual property rights.

1.20. Tourist informational documentation intended for distribution free of charge and whose main purpose is to present foreign tourist products and services.

1.21. Documents sent to state bodies, the publications of foreign state bodies and international bodies and organisations, forms for exercising the powers of state bodies, items of evidence in court procedures, printed circulars sent as part of the normal exchange of information between public services or banking institutions, official printed matter received by the Central Bank of Kosovo, documents, archives and forms for use at international meetings, conferences or congresses, plans, technical drawings, models and similar documents for purposes of participation in an international competition organised in Kosovo, printed forms used in accordance with international conventions as official documents in international trade in vehicles and goods, photographs and slides sent to press agencies or newspaper companies, collectors' items and works of art not intended for sale which are imported free of charge by museums, galleries and other institutions and which are intended for viewing free of charge, wall maps, films (other than cinematographic films) and other audio-visual products of an educational nature produced by the United Nations or its specialised agencies.

1.22. Material necessary for loading and securing goods during transport, litter and fodder for animals during transport, loaded onto a means of transport, which is used for the transportation of animals from a foreign country into Kosovo or through Kosovo,

1.23. Fuels and lubricants in the factory preinstalled tanks of motor vehicles.

1.24. Material for erecting, maintaining or decorating monuments, graves or the burial grounds of war victims from other countries, coffins containing the mortal remains and urns containing the ashes of deceased person and the funeral items that normally accompany coffins and urns.

1.25. Medicines, pharmaceutical products, medical and surgical instruments and apparatus.

2. Special exemptions which apply during the transitional period referred to in Article 64 of this Law:

2.1. Imports funded from the proceeds of grants made to the budget or through the budget of Kosovo or under the supervision of competent bodies or directly financed by contracts for the benefit of Ministries, local authorities and other bodies governed by law, by international inter-governmental organizations and their agencies, governments, government agencies, governmental or non-

governmental organizations in support of humanitarian and reconstruction programs and other projects including European integration projects in Kosovo.

2.2.Imports made by the United Nations or any of its agencies, the World Bank and international inter-governmental organizations.

3. Special exemptions granted to the religions of Kosovo in conformity with the Law No. 02/L_31 on Freedom of Religion in Kosovo or other applicable laws.

The provisions of paragraph 3 of Article 28 of this Law shall also apply to imports in respect of this special exemption by replacing “supply of goods and services” with “imports”.

CHAPTER X

EXEMPTIONS ON EXPORTATION

Article 31

Exemptions on exportation

1. The following transactions are exempted:

1.1.The supply of goods dispatched or transported to a destination outside Kosovo by or on behalf of the vendor,

1.2.The supply of goods dispatched or transported to a destination outside Kosovo by or on behalf of a customer not established within the territory of Kosovo, with the exception of goods transported by the customer himself for the equipping, fuelling and provisioning of pleasure boats and private aircraft or any other means of transport for private use,

1.3.The supply of goods to bodies recognized by the competent Kosovo Authority which export them out of Kosovo as part of their humanitarian, charitable or teaching activities outside Kosovo.

1.4.The supply of services consisting in work on movable property acquired or imported for the purpose of undergoing such work within Kosovo, and dispatched or transported out of Kosovo by the supplier, by the customer if not established within Kosovo or on behalf of either of them,

1.5.The supply of services, including transport and ancillary transactions, but excluding the services exempted in accordance with article 27 related to certain activities in the public interest and excluding the services meant by article 28 related to certain other activities, where these services are directly connected

with the exportation or importation of goods covered by paragraph 2 of Article 21 of this Law.

2. Goods to be carried in the personal luggage of travelers:

2.1. Where the supply of goods referred to in sub-paragraph 1.2 of Article 31 of this Law relates to goods to be carried in the personal luggage of travellers, the exemption shall apply only if the following conditions are met:

2.1.1. The traveller is not established within Kosovo,

2.1.2. The goods are transported out of Kosovo before the end of the third month following that in which the supply takes place,

2.1.3. The total value of the supply, including VAT, is more than one hundred and seventy-five (175) €.

A traveller who is not established within Kosovo shall mean a traveller whose permanent address or habitual residence is not located within Kosovo. In that case “permanent address or habitual residence” means the place entered as such in a passport, identity card or other document recognised as an identity document by the country within whose territory the supply takes place.

Proof of exportation shall be furnished by means of the invoice or other document in lieu thereof, endorsed by the customs office of exit of Kosovo.

2.2. The reimbursement of VAT paid under sub-paragraph 1 of paragraph 2 of Article 31 of this Law, shall be defined by sub-legal act to be issued by the Minister of Economy and Finance which shall also define the date from which the reimbursement shall begin.

CHAPTER XI

EXEMPTIONS RELATED TO INTERNATIONAL TRANSPORT

Article 32

Exemptions related to international transport

1. The following transactions shall be exempted:

1.1. The supply of goods for the fuelling and provisioning of vessels used for navigation on the high seas and carrying passengers for reward or used for the purpose of commercial, industrial or fishing activities, or for rescue or assistance at sea, or for inshore fishing, with the exception, in the case of vessels used for inshore fishing, of ships’ provisions,

- 1.2. The supply of goods for the fuelling and provisioning of fighting ships, falling within the combined nomenclature (CN) code 8906 1000, leaving their territory and bound for ports or anchorages outside Kosovo,
 - 1.3. The supply, modification, repair, maintenance, chartering and hiring of the vessels referred to in sub-paragraph 1.1. of this Article, and the supply, hiring, repair and maintenance of equipment, including fishing equipment, incorporated or used therein,
 - 1.4. The supply of services other than those referred to in sub-paragraph 1.3 of this Article, to meet the direct needs of the vessels referred to in sub-paragraph 1.1 of this Article or of their cargoes,
 - 1.5. The supply of goods for the fuelling and provisioning of aircraft used by airlines operating for consideration chiefly on international routes,
 - 1.6. The supply, modification, repair, maintenance, chartering and hiring of the aircraft referred to in sub-paragraph 1.5 of this Article, and the supply, hiring, repair and maintenance of equipment incorporated or used therein,
2. The supply of services, other than those referred to in sub-paragraph 6 of paragraph 1 of this Article, to meet the direct needs of the aircraft referred to in sub-paragraph 5 of paragraph 1 of this article or of their cargoes.

CHAPTER XII

EXEMPTIONS RELATING TO CERTAIN TRANSACTIONS TREATED AS EXPORTS, EXEMPTIONS FOR THE SUPPLY OF SERVICES BY INTERMEDIARIES, AND EXEMPTIONS RELATING TO CUSTOMS AND SIMILAR ARRANGEMENTS

Article 33

Exemptions relating to certain transactions treated as exports

1. The following transactions treated as exports are exempted:
 - 1.1. the supply of goods or services under diplomatic and consular arrangements;
 - 1.2. The supply of goods or services to international and inter-governmental bodies recognised as such by the public authorities of Kosovo, and to the members of such bodies, within the limits and under the conditions laid down by the international conventions establishing the bodies or by the competent Authority;

1.3.the supply of goods or services to NATO and KFOR, intended either for the armed forces of NATO and KFOR for the use of those forces, or the civilian staff accompanying them, or for their messes or canteens when such forces take part in the common defence and peace keeping effort;

1.4.The supply of gold to the Central Bank of Kosovo.

2. The irrigation of faring land and the supplies of the goods liste in the Annex IV of this Law are exempted during the transitional period referred to in Article 64 of this Law.

3. Special exemptions which apply during the transitional period referred to in Article 64 of this Law.

3.1.The supply of goods or services funded from the proceeds of grants made to the budget or through the budget of Kosovo or under the supervision of competent bodies or directly financed by contracts for the benefit of Ministries, local authorithies and other bodies governed by law, by international inter-governmental organizations and their agencies, by governments, government agencies, governmental or non-governmental organizations in support of humanitarian and reconstruction programs and other projects including European integration projects in Kosovo;

3.2.Supplies of goods and services made to the United Nations or any of its agencies, the World Bank and international inter-governmental organizations.

4. In cases where the goods are dispatched or transported out of Kosovo in which the supply takes place, and in the case of services, the exemption may be granted by means of a refund of the VAT.

Article 34

Exemptions for the supply of services by intermediaries

The supply of services by intermediaries acting in the name and on behalf of another person, where they take part in the transactions referred to in Chapters 10 and 11 and the transactions treated as exports of this Chapter 12, or of transactions carried out outside of Kosovo.

Article 35

Customs warehouses and similar arrangements

1. Imports of goods shall be exempt from VAT if they are intended to be:

1.1.Presented to customs and, when allowed under custom legislation, placed in temporary strage;

1.2.Placed into a free zone;

1.3.Placed under customs warehousing arrangements or inward processing arrangements under suspension regime.

2. Exemption is also applicable to the supplies of services relating to the supplies of goods under paragraph 1 of Article 35 of this Law and to the supplies of goods and services carried out in free zones and customs warehouses.

3. Transactions under this paragraph 1 of Article 35 are exempt from VAT provided that goods are not released for free circulation or are not aimed at final consumption and that the amount of VAT due on cessation of the arrangements corresponds to the amount of VAT which would have been due had each of these transactions been taxed within Kosovo.

4. Goods intended for sale in “duty free shops” at an airport open to international air traffic or a port open to international traffic, are also exempt from VAT, on condition that travellers carry such goods as personal luggage in permitted quantities to another country by aircraft or ship.

A traveller referred to in paragraph 4 of this Article is deemed to be a traveller who has a ticket on which the destination airport or port of another country is stated.

5. Goods intended for sale to travellers on board of an aircraft in the course of a flight are exempt where the place of arrival is situated outside of Kosovo.

CHAPTER XIII DEDUCTIONS

Article 36 The right to deduct VAT

1.The right to deduct input VAT shall arise at the time when the VAT becomes chargeable.

A taxable person cannot deduct input VAT before the tax period in which he received invoices for goods or services supplied to him or in which he received customs declarations for imported goods.

2. Unless otherwise stipulated by this Law, a taxable person may deduct from his VAT liability, the VAT due or VAT paid in respect of purchases of goods or services - hereinafter indicated as input VAT - provided he used or will use such goods or services for the purposes of his taxable transactions:

2.1.The input VAT due or paid within the territory of Kosovo in respect of goods or services supplied or to be supplied to him by another taxable person;

- 2.2.The input VAT due or paid within the territory of Kosovo in respect of importation of goods;
- 2.3.The input VAT due in accordance with paragraph 1 of Article 12 and Article 16 of this Law.
3. In addition to the deduction referred to in paragraph 2 of this Article, every taxable person shall also have the right to deduct the input VAT referred to therein in so far as the goods and services are used for the purposes of the following:
- 3.1.Transactions relating to the activity from paragraph 1 of Article 4 of this Law carried out outside Kosovo in which that tax is due or paid, in respect of which VAT would be deductible if they had been carried out in Kosovo;
- 3.2.Transactions which are exempt pursuant to Chapter 10 (Exemptions on exportation), Chapter 11 (Exemptions related to international transport) and Chapter 12 (Exemptions relating to transactions treated as exports, supply of services by intermediaries and exemptions relating to Customs and similar arrangements) of this Law.
- 3.3.Any of the transactions exempt in accordance with sub-paragraph 1 till 6 of paragraph 1 of Article 28 of this Law, if the customer is established outside Kosovo or if such transactions are directly linked to goods intended for export to a country outside Kosovo.
4. As regards goods and services used or to be used by a taxable person both for transactions covered by the paragraphs 2 and 3 of Article 36 of this law which VAT may be deducted, and for transactions, for which VAT shall not be deducted, only such a proportion of the VAT may be deducted as is attributable to the first transactions. Such proportion of input VAT shall be determined in accordance with Article 39 of this Law for all transactions carried out by the taxable person.
5. A taxable person shall not deduct input VAT on:
- 5.1.Yachts and boats intended for sport and recreation, private aircraft, cars and motorcycles only used for non business purposes, fuels and lubricants and spare parts and services closely linked thereto, other than vessels or vehicles used for leasing and renting and for resale, and vehicles used in driving schools for the provision of the driver's training programme in accordance with the regulations in force and combined vehicles for carrying out an activity of a public line and special line transport. If a vehicle is not used exclusively for carrying out an activity of a public and special line transport, a taxable person can claim a VAT deduction only in the part, related to carrying out of this activity;

5.2. The total purchase costs and current expenditures as regards cars used for both private and business purposes. In such case, the right to deduct input VAT is only allowed to a maximum of fifty percent (50%);

5.3. Costs for representation which shall include only costs for entertainment and amusement during business or social contacts, food costs including drinks and accommodation costs exception made for those costs which are made for the personnel charged with supply of goods and services;

5.4. The Minister of Economy and Finance shall issue a sub-legal act to determine the implementation and the costs which are subject to restrictions.

Article 37 **Exercise of the right of deduction**

The right of deduction arises at the time the deductible tax becomes chargeable.

2. To exercise his right to deduct input VAT, a taxable person must at least:

2.1. In respect of all deductions referred to in Chapter 13, hold an invoice or a document serving as an invoice in accordance with Chapter 15 of this Law. In respect of deductions pursuant to sub-paragraph 2.2 of article 36 of this Law, hold an import document "SAD document" on which he is stated as the consignee or importer and which states the amount or enables calculation of the amount of tax due,

3. The Minister of Economy and Finance shall issue a sub-legal act to determine additional rules and documents for proving the input VAT, in particular in respect of:

3.1. The deductions of sub-paragraph 2.3 of Article 36 of this Law;

3.2. The deductions pursuant to sub- paragraphs 2.1 and 2.2 of Article 37 of this Law;

3.3. The deductions related to the transactions described in the Chapters 10, 11 and 12 of this Law;

3.4. The cases referred to in Article 53 of this Law where a person is liable to pay VAT as a customer or purchaser;

3.5. The deductions in respect of the application of the special schemes of Chapter 19 of this Law.

Article 38
The manner to exercise the right to deduct input VAT

1. Taxable persons shall effect the deduction by subtracting from the total amount of VAT due for a given tax period the total amount of VAT in respect of which, during the same period, the right to deduct has arisen in accordance with paragraph 1 of Article 37 of this Law.
2. If a taxable person does not deduct input VAT in this tax period, he may deduct this amount of input VAT at any time after this tax period, but not later than in the last tax period of the calendar year following the year in which he was entitled to deduct input VAT. The taxable person shall notify in advance the Head of the Regional Tax Office of such late deduction.
3. If a taxable person receives an invoice showing VAT from a person who is not entitled to claim VAT under this Law, he shall not deduct the VAT shown as input VAT, irrespective of whether he pays that VAT.
4. If a taxable person receives an invoice showing an amount of VAT which exceeds the amount of VAT that should be charged according to this Law, the taxable person shall not deduct this excess amount as input VAT, even though the VAT has been paid.

Article 39
Calculation of the deductible proportion of input VAT

1. In the case of goods and services used by a taxable person both for realizing transactions in respect of which VAT is deductible for the used goods and services, and for realizing transactions in respect of which VAT is not deductible for the used goods and services, only such proportion of the VAT is deductible as is attributable to those transactions in respect of which VAT is deductible. The taxable person may be authorised by TAK to make the deduction on basis of the real use made if he provides in his accounting records, data on the input VAT for which he is entitled and is not entitled to deduct input VAT for all used goods and services.
2. The deductible proportion shall be made up of a fraction comprising the following amounts:
 - 2.1.as a numerator: the total amount, exclusive of VAT, of annual turnover attributable to transactions on which the taxable person has the right to deduct input VAT,
 - 2.2.as a denominator: the amount included in the numerator and the amount of total annual turnover on which the taxable person does not have the right to deduct VAT, including subsidies other than those directly linked to the price of

supplies of goods and services as referred to in paragraph 1 of Article 24 of this Law.

3. The calculation of the deductible proportion shall not include:

3.1. The amount of turnover attributable to supplies of capital goods used by the taxable person for the purposes of his business;

3.2. The amount of supply of financial services as referred to in paragraph 1 of Article 28 of this Law, if they are performed incidentally.

4. The deductible proportion of VAT shall be determined on an annual basis as a percentage, and shall be rounded up to the next whole number.

5. Provisional deductible proportion and actual deductible proportion:

5.1. The deductible proportion for the current year shall be determined provisionally on the basis of the data on preceding year's transactions - hereinafter referred to as "provisional deductible proportion". In the absence of data on transactions in the preceding year, or where they were insignificant in amount, the provisional deductible proportion shall be determined by TAK on the basis of the taxable person's own forecasts;

5.2. The deductible proportion shall be finally fixed when the actual volume of transactions in the year for which the deductible proportion is being determined - hereinafter referred to as "actual deductible proportion" - is known;

5.3. If it is established that the deduction of input VAT on the basis of the provisional deductible proportion was higher or lower than it should have been with respect to the actual data on volume of transactions, the input VAT deduction shall be adjusted accordingly in the tax return of the tax period of January of the following year, being the year in which the actual deductible proportion is established.

6. Notwithstanding paragraph 2 of this Article, a taxable person may determine the deductible proportion for each individual area of his activity separately, provided he maintains separate accounts for each individual area of his activity and provided he notifies TAK on the method of defining the deductible proportion. If TAK receives the notification at least fifteen (15) days before the start of the new tax period, the taxable person may start to calculate the deductible proportion pursuant to this sub-article in the first tax period following the tax period in which he informed the tax authority about his decision, otherwise with the beginning of the next tax period. The taxable person shall calculate a deductible proportion, chosen pursuant to this sub-article for at least twelve (12) months. If a taxable person wishes to change the method of calculating the deductible proportion again, he must notify again this change to TAK fifteen (15) days before the start of the tax period in which the new method is going to be used.

7.1. Following the notification made in accordance in paragraph 6 of this Article, prohibit the taxable person from using the chosen method for determining a deductible proportion if the chosen method does not allow TAK to control adequately the deduction of input VAT.

7.2. Authorize or require the taxable person to make the deduction on the basis of the real use made of all or part of the goods and services.

Article 40 **VAT refund claims**

1. A taxable person may either carry forward the excess VAT credit to the following tax period or submit a VAT refund claim, where, for a given tax period which is the last tax period of quarter of a calendar year, the VAT return of a taxable person reflects an amount of deductions that exceeds the amount of VAT due for that period. The excess VAT credit carried forward may be applied against the VAT liability in the succeeding tax periods.

2. VAT Refund claims:

Without prejudice to article 24 of the Law No 2004/48 on the Tax Administration Procedures and for the purpose of ensuring the correct and straightforward application of this sub-article, the following shall apply in respect of VAT refund claims:

2.1. A taxable person may claim a VAT refund if the VAT return for the last month of a quarter of calendar year reflects an amount of VAT credit that exceeds five thousand (5,000) € and provided that the taxable person was in credit status at the end of each tax period of such quarter and that all VAT returns and all other tax returns for all past tax periods have been submitted;

2.2. For exports, a refund may be claimed after each tax period, provided that the following conditions are met:

2.2.1. The export transactions represents at least twenty-five percent (25%) of the total transactions with entitlement of VAT input deduction and the amount of VAT credit exceeds five thousand (5000) € at the end of the tax period;

2.2.2. The taxable person complies with all applicable customs and VAT provisions, and

2.2.3. All VAT returns and other tax returns for all past periods are submitted.

3. Proof in respect of VAT refund claims:

- 3.1. At the moment of making a refund claim, the taxable person must be in the possession of all evidences and documents defined in the sub-legal act to be issued by the Minister of Economy and Finance as referred to in paragraph 4 of this article;
- 3.2. TAK shall retain the refund where the evidences and documents are not in the possession of the taxable person or if there are indications that the reported data in the VAT return in which the amount of the VAT refund is reported and previous VAT returns, are not correct. Such indications must be documented in an official -procès-verbal, established by a TAK officer or Customs officer. Such tax report provides evidence till the taxable person proves otherwise .TAK shall notify the taxable person that the refund will be retained and provide an explanation of the reasons for retaining the refund with a motivated decision;
- 3.3. The refund shall be retained until the competent TAK office receives the necessary missing evidences, documents and tax returns. If the documentation is not provided within the required timeframes established by TAK ,the control of the VAT refund claim will be closed and a final report will be issued and provided to the taxpayer explaining the reasons for not approving the refund claim;
- 3.4. No interests for late refund as referred to in sub-paragraph 3 of paragraph 3 of this Article are incurred during the period that the VAT refund is retained;
4. The Minister of Economy and Finance shall issue a sub-legal act to determine:
- 4.1. The procedure and conditions in respect of VAT refunds related to periodic VAT returns; and
- 4.2. Alternative procedures for refunding VAT to persons not required to submit VAT returns; returns, to persons who are stopping their economic activity and to taxable persons and customers not established in Kosovo.

Article 41 **Adjustment of deductions**

1. The initial deduction shall be adjusted where it is higher or lower than the deduction to which the taxable person was entitled. In particular, adjustment shall be made where:
- 1.1. It is subsequently determined that the deduction of input VAT has been calculated at a higher or lower amount than the amount to which the taxable person has been entitled;

- 1.2. After the VAT return is submitted, changes occur in the factors used to calculate the deductible amount of input VAT, where for example purchases are cancelled or price reductions are obtained after the supply takes place.
2. In the case changes occur within five years from the calendar year of the beginning of use of capital goods, changes occur in the conditions, which were decisive during that year for the deduction of input VAT, a correction of the input VAT shall be made for the period following the change.
- For immovable property, the period of twenty years instead of five years shall be applicable.
3. The tax period in which the deduction of input VAT was made or was not made shall be considered as the beginning of use of the capital good or immovable property mentioned under paragraph 2 of this Article.
4. The annual adjustment shall be made on the variations in the deductions entitlement in subsequent years in relation to that for the year in which the goods were used for the first time and shall be made in respect of one-fifth (1/5), respectively one-twentieth (1/20), in accordance with the type of capital asset, of the corresponding annual deduction originally made. However, if supplied during the adjustment period, capital goods shall be treated as if they had been applied to an economic activity of the taxable person up until expiry of the adjustment period.
5. An adjustment to the deduction of input VAT shall not be made if the difference of deducted VAT is less than twenty (20) €.
6. The Minister of Economy and Finance shall work out practical rules to record the VAT adjustments and to determine the deductible and non-deductible VAT in respect of these adjustments.

Article 42

Deduction of input VAT on commencement of economic activity as VAT registered taxable person.

1. On the day that the registration for VAT purposes becomes valid, a taxable person shall acquire the right to a deduction of input VAT for goods which he has in stock on the day before such registration becomes valid on basis of what is defined in the Articles 6, 7 and 8 of this Law. The deduction of input VAT may be verified by TAK on the basis of the accounting information of the taxable person and data of stocks of goods.

2. A taxable person subject to implementation of this article, may deduct input VAT in proportion to the supply performed in so far as that right of deduction exists, but shall not have the right to a VAT refund on this basis.

3. The Minister of Economy and Finance shall determine practical rules for the implementation of this article.

CHAPTER XIV BAD DEBTS

Article 43 Bad debt for VAT purposes

1. Where the whole or part of the payment for a taxable supply is not received by a taxable person-supplier, he may consider the amount of non payment a bad debt for VAT purposes. Such taxable person may apply to TAK for written permission to reduce the amount of output tax due from him by the amount of VAT paid in respect of the supply that is attributable to the whole or part of the payment for the taxable supply that has not been received. The application shall be accompanied by sufficient evidence of the taxable person to prove that the VAT on the debt has been paid to TAK and that the whole or part of the payment for the taxable supply has not been received.

2. An application under paragraph 1 of this Article, shall not be made less than six months after the end of the tax period in which the VAT on the whole or part of the payment for a taxable supply, which has not been received, was paid to TAK.

3. The Director or the authorised person may refuse an application made under paragraph 1 of this Article, where he considers that the evidence of the taxpayer is insufficient that the taxable person has paid the VAT on the taxable supply to TAK and that he has not received the whole or part of the payment for that taxable supply.

4. Where the Director or the authorised person is satisfied that the taxable person has paid the VAT on the taxable supply and has not received the whole or part of the payment for that taxable supply, he shall give written permission for the taxable person to deduct from the amount of output tax due from him for his next tax period, the amount of VAT on the whole or part of the payment that has not been received.

5. Where a taxable person who made an application under paragraph 1 of this article, receives written permission from the Director to reduce his output tax in respect of a bad debt, he shall:

5.1. Create a bad debt invoice and include this in his records, with the letter from the Director attached to that invoice;

- 5.2. Send copies of that bad debt invoice and the Director's letter to the person to whom the taxable supply was made;
- 5.3. Send copies of that bad debt invoice and the Director's letter to the competent regional Tax Office.
6. Where the person to whom the taxable supply was made and who is bad debtor, receives a copy of the bad debt invoice and the Director's or authorized person's letter, he shall increase the amount of output tax shown on his next VAT return by the amount shown on the bad debt invoice.
7. Where the output tax of a taxable person has been reduced as a result of an application made under paragraph 2 of this article and the whole or part of that debt is subsequently paid, the taxable person shall treat as further output tax due for the tax period in which the subsequent payment was made the part of the output tax reduced that is attributable to the part of the bad debt subsequently paid.
8. The Minister of Economy and Finance may authorise by sub-legal act a special scheme for the enterprises of public interest.

CHAPTER XV

INVOICING AND ISSUANCE OF OTHER TAX DOCUMENTS

Article 44

Issuance of invoices and other documents serving as invoices by a taxable person

1. A taxable person shall ensure that, in respect of the following cases, an invoice is issued, either by himself or by his customer or, in his name and on his behalf, by a third party:
- 1.1. Supplies of goods or services which he has made to another taxable person,
 - 1.2. Any payment made on account to him before a supply of goods referred to in sub-paragraph 1 of this Article, was carried out,
 - 1.3. Any payment on account made to him by another taxable person before the provision of services was effected or completed.
2. A summary invoice may be issued if a taxable person carries out several separate supplies of goods or services during a tax period.
3. If an invoice is issued to another taxable person, it must contain the data prescribed in Article 45 of this Law, or if it is issued to other persons, it must at least contain the data defined in Article 46 of this Law.

4. An invoice shall be issued before the fifteenth (15th) day of the month following the month in which the chargeable event occurs. Invoices need to be signed in accordance with Kosovo practice during the transitional period defined in Article 64 of this Law.

5. Invoices drawn up by customers in respect of supplies made to him:

5.1. Invoices may be drawn up by the customer-taxable person in respect of the supply made to him, by a taxable person, of goods and services. Invoices may as well be issued in the name and on behalf of the taxable person-supplier;

5.2. TAK may impose conditions for such procedures and may also impose specific conditions on taxable persons with no establishment in Kosovo supplying goods or services in Kosovo.

Article 45

Content of invoices issued by taxable persons to taxable persons

1. A taxable person who issues an invoice to a taxable person shall indicate the following data on the invoice:

1.1. The date of issue;

1.2. A sequential number enabling the identification of the invoice;

1.3. The VAT registration number as well as the fiscal number of the taxable person under which he supplies the goods or services;

1.4. The VAT registration number as well as fiscal number of the customer or the purchaser, if the customer or the purchaser is liable to pay VAT on goods or services supplied to him;

1.5. The full name and address of the taxable person and his customer;

1.6. The quantity and nature of goods supplied, or the extent and nature of the services performed;

1.7. The date on which the supply of goods or of services was made or completed, or the date of receipt of the payment on account, in so far as that date can be determined and differs from the date of the issue of the invoice;

1.8. The taxable amount on which VAT is charged for each individual rate or for which the individual exemption applies, the unit price exclusive of VAT for the goods or services, and any price reductions and discounts not included in the unit price;

1.9. The VAT rate applied;

1.10.The amount of VAT, except where a special arrangement is applied under which, in accordance with this Law, such a detail, is excluded;

1.11.In the case a taxable person supplies goods or services for which a VAT exemption is prescribed, the invoice must indicate the provision of this Law that stipulates such exemption;

1.12.If a taxable person supplies goods or services where the customer is liable for payment of VAT, reference to the applicable provision of this Law or any other reference indicating that the supply of goods or service is subject to the reverse charge procedure as referred to sub-paragraph 4 of paragraph 1 of Article 52 of this Law;

1.13.A taxable person who charges VAT on the margin scheme for travel agents as referred to in Article 58 of this Law, must state on the invoice the provision of this Law pursuant to which VAT on the price difference is charged;

1.14.Where one of the special arrangements applicable to second-hand goods, works of art, collectors' items and antiques as referred to in part A and part B of Article 59 of this Law, is applied, reference must be made to the relevant articles of these arrangements;

1.15.Where the person who issues the invoice is liable to pay VAT as a tax representative in terms of paragraph 5 of Article 52 of this Law, the fiscal number and the VAT registration number and his full name and address are obligatory details to be mentioned.

Article 46

Content of an invoice issued by taxable persons to other persons

1. A taxable person, who issues an invoice to persons others than those mentioned under Article 45 of this Law, shall at least indicate the following data on the invoice:

1.1.The date of issuance;

1.2. The time of the supply;

1.3.A sequential number enabling the identification of the invoice;

1.4.The VAT registration number and the fiscal number under which the taxable person supplies the goods or serviles;

1.5.The full name and address of the taxable person;

- 1.6. The full name and address of “the other person” and tax identification numbers of this person as defined by TAK;
 - 1.7. The total amount to pay including VAT;
 - 1.8. The sales value of the goods or services excluding VAT;
 - 1.9. The amount of VAT.
2. If a taxable person supplies goods and services at different tax rates, he must show the sales value including VAT separately for each tax rate and also show the value of VAT separately.
 3. If a taxable person supplies goods or services for which VAT exemption is prescribed, the invoice must indicate the provisions of this Law which stipulate the exemption.
 4. In any case, a recipient of goods or services who is a non-taxable person, carrying out economic activity in the sense of Article 4 of this Law, shall request that the taxable person issues an invoice to him. The time limit relating to the issuance of such invoice is the same as the time limit defined in paragraph 4 of Article 44 of this Law.

Article 47

Debit and Credit Notes

1. Where the taxable amount and the VAT on a tax invoice has to be corrected in accordance with Article 41 of this Law, the supplier shall issue a debit note or a credit note and shall treat that note as if it were a tax invoice.
2. Debit and Credit notes must at least contain the following information:
 - 2.1. Date of issuance;
 - 2.2. Sequence number;
 - 2.3. Reference to the original invoice;
 - 2.4. Identification of the supplier and the purchaser, namely the name, address and their fiscal numbers, and if applicable, their VAT registration numbers;
 - 2.5. The reason of correction, and
 - 2.6. The corrected taxable amount and the corrected VAT.

Article 48
Bad Debt invoice

1. The content of a bad debt invoice as referred to in Article 43, must contain the following information :

1.1.Date of issuance;

1.2.Sequence number;

1.3.Reference to the original invoice and the letter of approval of the Director or the authorized person;

1.4.Identification of the supplier and the purchaser-bad debtor, their fiscal numbers and their VAT registration numbers if existing;

1.5.Taxable amounts and VAT of the original invoice and the corrected amounts of taxable amounts and VAT.

Article 49
Requirement to Provide Simplified Invoices and fiscal receipts

1. Any person who is not required to register for VAT but who is carrying out economic activity as referred to in Article 4 of this Law, issues to the recipient of the supply, the following:

1.1.A simplified invoice as meant by Article 46 of this Law where the supply has a value of five hundred (500) € or more, or where the person receiving the supply is required to request such invoice in accordance with paragraph 4 of Article 46;

1.2. “Fiscal receipts” which:

1.2.1. Are automatically produced through the use of authorised Fiscal electronic devices (FED’s) giving details of the goods or services supplied at premises, units or locations accessible for the general public such as in retail trade or wholesale trade or more general where no invoice has to be issued in a systematic manner to clients who are paying in cash or with other equivalent payment instrument;

1.2.2 Must have the following content:

1.2.2.1. The Header of the receipt:

1.2.2.1.1.The name, address of the supplier and the Fiscal Number and VAT registration number if applicable. This

must allow a programmable header consisting of the name or trade name of the person, the business address, the Fiscal and VAT Registration + Number + Telephone/Mobile Phone;

1.2.2.1.2.The cash register identification number. The receipt must include the serial number of the fiscal cash register and internal POS identification if used by the user;

1.2.2.1.3. The identification on the network, i.e. if different sites of trade exist which are connected through one network;

1.2.2.1.4.The date and time of supply. The fiscal receipt must include the date and time of receipt issuance;

1.2.2.1.5.The serial number of the transaction with the customer/client which is the cumulative number of issued receipts;

1.2.2.1.6.The operator that has server.

1.2.2.2. The article details of the receipt:

1.2.2.1.1.A number indication per article of the goods or services supplied or other article indication as allowed by the Tax Administration;

1.2.2.1.2.An abbreviated description of each article of goods or services supplied and followed by the reference code if computerized product list is maintained;

1.2.2.1.3.The quantity and nature of the goods supplied or the extent and nature of the services rendered multiplied by the unit price;

1.2.2.1.4.Amount of rebates, discounts, refunds and cash backs indicated with minus sign and amount;

1.2.2.1.5.VAT rate with a specific code for each rate and per item;

1.2.2.1.6.The price inclusive of VAT for the items sold having the same quality inclusive of VAT if applicable (thus a total price for items sold of the same quality);

1.2.2.1.7. The price exclusive of VAT for the items sold of the same quality but without VAT for each item line;

1.2.2.1.8. The total, exclusive of VAT for the supplies of the transaction per rate to the klient;

1.2.2.1.9. The total of VAT per rate if applicable

1.2.2.3. At the bottom:

The wording “Fiscal Receipt” and The Fiscal Logo and form

1.2.2.3.1. The fiscal logo is the identification mark that is placed at the bottom of each tax receipt that certifies that sales are registered into the fiscal memory and into the electronic journal/ control band of the FED’s;

1.2.2.3.2. The graphic form of the fiscal logo is:



The fiscal logo may be changed by Governmental decision.

1.2.2.4. The fiscal receipt may include the identification data of the customer if required by tax legislation.

1.3. Automatically produced tax information including turnover and VAT paid by customers, which can be made “on line” available to TAK for administering VAT and other taxes which are due by taxpayers or certain categories of taxpayers.

2. A taxable person who supplies goods and services to persons for Non-business purposes, issues to the recipient of the supply, the same simplified invoices and fiscal receipt as referred to in paragraph 1 of this Article.

Article 50

Issuance and Sending invoices by electronic means and documents serving as invoices

1. Invoices and other documents issued pursuant to this Chapter, may be sent on paper or, subject to acceptance by the recipient, may be sent or may be made available by electronic means. The authenticity of the origin and the integrity of their content must be guaranteed by means of an advanced electronic signature or by means of electronic data interchange EDI as defined by European arrangements and recommendations

2. The specific obligations or formalities relating to the issuance, the sending or making available of invoices or similar documents by electronic means and the electronic signature which are in accordance with the European Union arrangements and recommendations, shall be defined in the sub-legal act to be issued by the Minister of Economy and Finance.

3. Any document or message that amends and refers specifically and clearly to the initial invoice is treated as an invoice.

Article 51 Special provisions

1. The taxable amount and the amount of VAT on invoices must be expressed in euro.

2. TAK may require invoices or documents serving as invoices in respect of supplies of goods or services in Kosovo or to other countries, to be translated into an official language of Kosovo.

3. The Minister of Economy and Finance shall issue a sub-legal act to determine detailed explanations and obligations as to respect the implementation of Chapter 15 of this Law. Minister may as well impose in accordance with European Union arrangements and in addition to the common used trade documents in Kosovo, other documents such as delivery notes, freight bills, transport documents, detailed accounts and records such as registers for contract and process work and other means of proof with respect of transactions and the movement of the goods in order to ensure the correct assessment and collection of VAT.

CHAPTER XVI PERSONS LIABLE FOR PAYMENT OF VAT

Article 52 Persons liable for payment of VAT to TAK

1. Persons liable to pay VAT are:

1.1. Any taxable person carrying out taxable supply of goods and services, except where VAT has to be paid by another person in the cases referred to in subparagraphs 2 and 3 of paragraph 1 of this Article;

1.2. Any person who is registered for VAT purposes in Kosovo to whom goods and services are supplied by a taxable person not established in Kosovo;

1.3. Any person who is identified for VAT purposes of VAT in Kosovo in which the VAT is due and to whom goods are supplied through distribution systems referred to in paragraph 4 of Article 19 of this Law, if the supplies are carried out by a taxable person not established within Kosovo;

1.4. The Minister of Economy and Finance may issue a sub-legal act to provide the person liable for payment of VAT is the taxable person to whom any of the following supplies are made:

1.4.1. The supply of construction work, including repair, cleaning, maintenance, alteration and demolition services in relation to immovable property;

1.4.2. The supply if staff engaged in activities covered by 1.4.1. of this Article;

1.4.3. The supply of used material, used material which cannot be re-used in the same state, scrap, industrial and non industrial waste, recyclable waste, part processed waste and certain goods and services;

1.4.4. The supply of goods provided as security by one taxable person to another in execution of that security;

1.4.5. The supply of goods following the cession of a reservation of ownership to an assignee and the exercising of this right by the assignee;

1.4.6. The supply of immovable property sold by a judgement debtor in a compulsory sale procedure.

The Minister of Economy and Finance may, in the above mentioned sub-legal act, specify as well other supplies of goods and services and categories of suppliers or recipients to whom these measures may apply.

2. VAT shall be payable by any person who enters the VAT on an invoice.

3. On importation, VAT shall be payable by any person or persons designated or recognised as liable in accordance with the Kosovo Customs legislation.

The Minister of Economy and Finance may, by sub-legal act, determine the conditions that in the case of the importation of goods by taxable persons or certain categories thereof or by persons liable for payment of VAT or certain categories thereof, the payment of VAT due by reason of the importation may be deferred for a period of maximum six months or need not to be paid at the time of importation, on condition that it is entered as such in the VAT return to be submitted in accordance with Article 54 of this Law.

4. VAT shall be payable by any person who causes goods to cease to be covered by customs warehouses, other warehouses and similar arrangements.

5. A taxable person who is not established in Kosovo shall appoint a tax representative as the person liable for payment of the VAT, except for the cases defined by sub-paragraph 4 of paragraph 1 of this Article and for exercising all his rights.

CHAPTER XVII

TAX PERIODS AND VAT RETURNS

Article 53 Tax Periods

1. Subject to the paragraphs 2 and 3 of this Article, the tax period of all taxable persons shall be each calendar month.

2. Where a person is:

2.1. Registered for VAT on a date which is not the first day of a calendar month, the first taxable period for that person shall begin on the date of his registration and shall last until the last day of that month, and

2.2. Deregistered for VAT on a date which is not the last day of a calendar month, the last taxable period for that person shall end on the date of his deregistration, having begun on the first day of that month.

3. Liquidation and bankruptcy:

3.1. For a taxable person against whom a liquidation or bankruptcy procedure is initiated, the tax period shall begin on the day of the opening of the liquidation or bankruptcy proceeding. This taxable period shall end on the date of the decision on the conclusion of the liquidation or bankruptcy procedure;

3.2. VAT returns must be submitted on a monthly basis if the business activities are pursued by the liquidator or curator being nominated or appointed administering the liquidation or bankruptcy procedure according to Kosovo legislation.

3.3. The Minister of Economy and Finance shall regulate by sub-legal act practical implementation of this article. He may determine a tax period which is different from one month and may require advanced payments for such period for any category of taxable persons.

Article 54
VAT returns, remittance and payments

1.A taxable person shall submit a tax declaration and remit the related payment not later than the 20th of the calendar month following the end of each tax period.

The tax declaration shall contain:

1.1. The amount of all taxable and exempt supplies, exportations and supplies treated as exportations as well as the output tax due on taxable supplies made by him during that period;

1.2. The amount of all purchases and importation as well as input tax for that tax period that the person is entitled to deduct;

1.3. The amount of purchases with VAT which is charged on the recipient as referred to in sub-paragraph 1.4 of Article 52 of this Law;

1.4. Any increase or decrease in respect of the amount mentioned under the sub-paragraphs 1, 2 and 3 of paragraph 1 of this Article, as a result of any adjustment of the taxable amount on basis of debit and credit notes, the adjustments of deduction of input VAT including capital goods or any adjustment as a result of bad debt invoices;

1.5. The net amount of VAT to be paid to TAK or the net amount in excess for the tax period.

2. The form of the declaration, the information to be declared, the place where the declaration shall be submitted and the place and manner of payment of the value added tax due shall be specified by the Minister of Economy and Finance in a sub-legal act.

CHAPTER XVIII

BOOKKEEPING AND STORAGE OF VAT BOOKS, RECORDS AND RELATED DOCUMENTATION

Article 55

Requirement to record information, retaining records and providing access

1. A taxable person shall retain:

1.1.All the information contained in invoices, coupons, debit or credit note or in other documents serving for the same purposes, issued by him. Such information shall be recorded in the books and records to be kept by the taxpayer;

1.2. Copies of any tax invoice and bad debt invoice, debit or credit note and any other document serving the same purpose, issued by him;

1.3. The originals of any tax invoice and bad debt invoice, debit or credit note and any other document serving the same purpose, issued to him;

1.4. All cash payment records and evidence, bank accounts and credit card records which relate to any economic activity carried on by him;

1.5. Copies of any contract for: Any importation, any supply of goods and services whether or not VAT was charged and any supply of goods and services which are treated for the purposes of the present law as having taken place outside of Kosovo;

1.6. Any Single Administrative Document or any other Customs document relevant to the importation, exportation or any other Customs arrangement.

2. All documents mentioned under paragraph 1 of this Article shall be kept in chronological order with cross reference to each other when having the same taxable event.

3. Retain copies of the Information Technology programs which are used or being used for the administration of the accounting and tax records, books and all other related documents and provide paper copies of these programs which allow reading.

Producing and storing invoices and all other tax documents, books and records referred to in this Law in a suitable electronic format or similar system such as microfilms, microfiches and scanned formats, shall only be authorized by the Director General of TAK after receiving a written request thereto from the taxable person. Such request must be accompanied by a detailed description of the system and must contain the necessary evidence that all security in respect of producing and storage requirements for invoice, book and record keeping are met. The agreement between the taxable person and an outsourcing specialist must as well be added if this the supply of these services are outsourced, The taxable person and the outsourcing specialist are jointly and severally shall be severally liable for the payment of the tax.

4. Provide access within reasonable delay to all information as referred to in the paragraphs 1, 2 and 3 of this Article and in particular to the Information Technology systems used for the accounting and tax purposes and to provide all technical assistance for the reading and the understanding of the IT system and programs referred to in paragraph 3 of this Article.

5. The Minister of Economy and Finance shall issue a sub-legal act for the implementation of this article.

Article 56

Storage of invoices, bad debt invoices, credit and debit notes, simplified invoices, coupons and documents serving as invoices, books and records

1. Every person having obligations and rights imposed by this Law, shall ensure that copies of the invoices, bad debt invoices, credit and debit notes, simplified invoices, coupons and documents serving as invoices issued by himself, or by his customer or, in his name and on his behalf, and all the invoices which he has received as well as all books and records, registers and all other imposed proof documents. are stored for at least a period of six years which starts on the first of January after the year in which the taxable event took place.

The same rules are valid in respect of electronic storage of such documents, books, records and registers.

2. Every person having obligations and rights imposed by this Law, shall keep the documents referred to in paragraph 1 of this Article in ranking order of a sequential number. That sequential number shall figure as well on the original document issued to his customer.

3. Place of storage:

3.1. Every person, having obligations and rights imposed by this Law, may decide the place of storage of all the documents referred to in paragraph 1 of this article. The taxable person shall inform TAK of that place;

3.2. TAK shall have access to that place and all documents must as well be made available to TAK at the place where he has his business or has his fixed establishment, or, in the absence of such a place, the place where he has his permanent address or usually resides in Kosovo, without undue delay whenever TAK so request.

Article 57

Period of storage of books and all VAT records

1. By way of derogation from what is defined in Article 12 of the amended Law No. 2004/48 On Tax Administration and Procedures a taxable person shall:

1.1. Keep his books required by this Law for a period of at least six (6) years which starts after the year in which such books are closed;

1.2. Keep all other records and documents as required by the Articles 55 and 56 of this Law, for a period for at least six (6) years which starts after the year in which the VAT liability arose, the VAT deduction or the VAT adjustment occurred;

- 1.3. Respect the same rules in respect of electronic storage of such books, records and registers.
2. The Minister of Economy and Finance shall issue a sub-legal act for the implementation of this Article.

CHAPTER XIX

SPECIAL SCHEMES

Article 58

Special schemes for travel agents

1. Principle:

1.1. The Minister of Economy and Finance, by a sub-legal act, provide for a special scheme for travel agents;

1.2. Such special scheme may be applied to transactions carried out by travel agents who deal with customers in their own name and use supplies of goods or services provided by other taxable persons, in the provision of travel facilities;

1.3. The application of the special scheme shall not apply to travel agents where they act solely as intermediaries and to whom sub-paragraph 3 of paragraph 6 of Article 24 of this Law applies for the purposes of calculating the taxable amount.

2. Definitions:

2.1. Tour operator means a person who acts in his own name and who organizes package tours with own means for travellers;

2.2. Travel agent means a person who acts as an intermediary and arranges transportation, accommodations, and tours for travellers;

2.3. For the purposes of this article, tour operators shall be regarded as travel agents.

3. Single service:

3.1. The transactions made, in accordance with the conditions of paragraph 1 of this article, by the travel agent in respect of a journey, shall be regarded as a single service supplied by the travel agent to the traveller;

3.2.The single service is taxable in Kosovo if the travel agent has established his business or has a fixed establishment in Kosovo from which he carries out the supply of services;

3.3.The taxable amount and the price exclusive of VAT in respect of the single service provided by the travel agent shall be the travel agent's margin, being the difference between the total amount, exclusive of VAT, to be paid by the traveller and the actual cost to the travel agent of supplies of goods or services provided by other taxable persons, where those transactions are for the direct benefit of the traveller;

3.4.If transactions entrusted by the travel agent to other taxable persons are performed by such persons outside Kosovo, the supply carried out by the travel agent shall be regarded as an intermediary activity exempted pursuant article 34 of this Law;

3.5.If the transactions are performed both inside and outside Kosovo, only that part of the travel agent's service relating to the transactions outside of Kosovo may be exempted;

3.6.VAT charged to the travel agent by other taxable persons in respect of transactions which are referred to in paragraph.3 of this Article and which are for the direct benefit of the traveller shall not be deductible or refundable.

Article 59

Special arrangements applicable to second-hand goods, works of art, collectors' items and antiques: Profit margin scheme and special arrangements for sales by public auction

Part A: Profit margin scheme

1. Principle: The Minister of Economy and Finance may, by sub-legal act, provide for special arrangements for taxing the profit margin of taxable dealers in respect of the supply of second-hand goods, works of art, collectors' items and antiques, as well as for simplifying the procedure for collecting the tax.

2. For the purposes of this arrangement, a taxable dealer means any taxable person who, in the course of his economic activity and with a view to resale, purchases, or applies for the purposes of his business, or imports, second-hand goods, works of art, collector's items or antiques, whether that taxable person is acting for himself or on behalf of another person pursuant to a contract under which commission is payable on purchase or sale.

“Second hand goods”, “works of art”, “collector's items”, “antiques” and other specific terms used in the special scheme such as “selling price” and “purchase price” will be defined in the sub-legal act as referred to in paragraph 1 of this article.

3. The margin scheme applies to the supply by a taxable dealer of second-hand goods, work of art, collector's items or antiques where those goods have been supplied to him within Kosovo by one of the following persons:

3.1. A non-taxable person;

3.2. Another taxable person, in so far as the supply of goods by that other taxable person is exempt pursuant to the Articles 27 and 28 of this Law;

3.3. Another taxable dealer, in so far as VAT has been applied to the supply of goods by that other taxable dealer in accordance with this margin scheme.

4. The profit margin of the taxable dealer shall be equal to the difference between the selling price charged by the taxable dealer for the goods and the purchase price of these goods. The taxable amount in respect of the supply of second-hand goods, works of art, collector's items and antiques shall be the profit margin made by the taxable dealer, less the amount of VAT relating to the profit margin.

5. The taxable dealers shall be granted the right to opt for application of the margin scheme for the following transactions:

5.1. The supply of works of art, collectors' items and antiques, which the taxable dealer has imported himself,

5.2. The supply of works of art supplied to the taxable dealer by their creators or their successors in title;

5.3. If a taxable dealer exercises the option under paragraph 5 of this article, the taxable amount shall be determined in accordance with paragraph 4 of this article.

6. In the case of import of work of art, collectors' items or antiques by the taxable dealer himself, the purchase price to be taken into account in calculating the profit margin shall be equal to the taxable amount on importation plus the VAT paid on importation.

7. The chargeability for VAT, the entitlement of input VAT deduction in respect of supplies second-hand goods, works of art, collectors' item or antiques subject to the margin scheme and the records and accounts to be kept, shall be specified in the sub-legal act referred to in paragraph 1 of this Article.

8. Simplified procedures for collecting the VAT:

8.1. The Minister of Economy and Finance may also apply simplified procedures for collecting the VAT for certain transactions or for certain categories of taxable dealers, in particular in respect of the taxable amount of supplies of goods subject to the margin scheme;

8.2.The taxable dealer may also opt for the application of the normal VAT arrangements to any supply covered by the margin scheme with entitlement to deduct from the VAT for which he is liable, the VAT due or paid on the import or the VAT due or paid in respect of the work of art supplied to him by its creator, or the creator's successors in title, or by a taxable person other than a taxable dealer;

8.3.The right of deduction of input VAT shall arise at the time when the VAT due on the supply in respect of which the taxable dealer opts for application of the normal VAT arrangements, becomes chargeable.

Part B: Special arrangements for sales by public auction.

9. Principle: The Minister of Economy and Finance may apply special provisions different from paragraph 4 of this Article in respect of the determination of the taxable amount of supplies of second-hand goods, works of art, collectors' items or antiques effected by an organiser of sales by public auction, acting in his own name, pursuant to a contract under which commission is payable on the sale of those goods by public auction, on behalf of persons as will be determined by the Minister of Economy and Finance.

10. Special obligations shall be imposed on the organiser of the sale by public auction in respect of the issue of an invoice or a document in lieu to the purchaser as well as in respect of the content of such documents.

Article 60 **Flat rate scheme for farmers**

1.Principle: The Minister of Economy and Finance may, by a sub-legal act provide for the application to farmers whose activities are carried out in an agricultural, forestry or fisheries undertaking, a flat-rate scheme in order to offset VAT charged on purchases of goods and services made by the flat-rate farmers,

2. The application for a flat-rate farmer who is entitled to flat-rate compensation, the flat-rate compensation percentages to be applied to the prices exclusive of VAT, of the following goods and services:

2.1.Agricultural products supplied by flat-rate farmers to taxable persons not covered in Kosovo by the flat-rate scheme;

2.2.Agricultural services supplied by flat-rate farmers to taxable persons not covered in Kosovo by the flat-rate scheme;

2.3.The flat-rate compensation percentages may vary for forestry, for the different sub-sectors of agriculture and for fisheries.

3. Certain categories of farmers may be excluded from the flat-rate scheme as well as farmers for whom application of the normal arrangements is not likely to give rise to administrative difficulties.

4. Every flat-rate farmer may opt, subject to the rules and conditions laid down in the sub-legal act referred to in paragraph 1 of this article, for the normal VAT arrangements.

5. The sub-legal act to be issued by the Minister of Economy and Finance shall as well define:

5.1. Farmer, agricultural, forestry or fisheries undertakings, flat-rate farmer, agricultural products, agricultural services, input VAT charged, flat-rate compensation;

5.2. The flat-rate compensation percentages; and

5.3. The deduction of input VAT charged on capital goods.

Article 61

Special scheme for electronically supplied services

1. Principle: The Minister of Economy and Finance may permit by sub-legal act any non-established taxable person in Kosovo supplying electronic services to a non-taxable person who is established in Kosovo or who has his permanent address or usually resides in Kosovo, to use the special scheme for all electronic supplied services as meant by subparagraph 3.2.8 of Article 20 of this Law and enumerated in Annex II of this Law.

2. The non-established taxable person shall state to TAK when he commences or ceases his activity as a taxable person, or changes that activity in such a way that he no longer meets the conditions necessary for use of this special scheme. He shall communicate that information electronically and shall request a read receipt for this message.

3. The information that the non-established taxable person must provide to TAK when he starts taxable activity, shall contain the following details:

3.1. Name;

3.2. Postal address;

3.3. Electronic addresses, including websites;

3.4. National tax number, if any;

3.5. A statement that the person is not identified for VAT purposes in Kosovo.

The non-established taxable person shall notify TAK of any changes in the information provided.

4. The Minister of Economy and Finance shall, in the sub-legal act referred to paragraph 1 of Article 61 of this Law, provide in particular instructions in respect of:

4.1. The registration and the cancellation of the registration;

4.2. The VAT- return to be submitted by electronic means and the payments to be executed when submitting such VAT return on a quarterly basis;

4.3. The manner how refunds can be made;

4.4. The records to be kept of the transactions covered by this special scheme, how long the records must be kept and how the records must be made available electronically on request of TAK.

Article 62

Special scheme for investment gold

1. Principle:

The Minister of Economy and Finance may, by sub-legal act provide for the application of a special scheme for investment gold:

2. Definitions: For the purposes of this scheme, “investment gold” shall mean:

2.1. Gold in the form of a bar or a wafer of weights accepted by the bullion markets of a purity equal to or greater than nine hundred and ninety-five (995) thousand, whether or not represented by securities, except for small bars or wafers of a weight less than one (1) gram,

2.2. Gold coins which:

2.2.1. Have a purity equal to or greater than nine hundred (900) thousand;

2.2.2. Were minted after the year 1800;

2.2.3. Are or have been legal tender in the country of origin; and

2.2.4. Are normally sold at a price which does not exceed the open market value of the gold contained in the coins by more than eighty percent (80%).

For the purposes of this scheme, such coins shall not be considered to be sold for numismatic interest.

3.Exemptions for investment gold transactions.

The following shall be exempt from VAT:

3.1.Supplies and importation of investment gold, including investment gold represented by certificates for allocated or unallocated gold or traded on gold accounts and including, in particular, gold loans and swaps, involving a right of ownership or claims in respect of investment gold, as well as transaction concerning investment gold involving futures and forward contracts leading to a transfer of right of ownership or claim in respect of investment gold,

3.2.Services of agents who act in the name and for the account of another who they intervene in supplies of investment gold for their principal.

3.3.Taxation option:

3.3.1.Notwithstanding the provisions of paragraph 3 of this Article, taxable persons producing investment gold or processing any gold into investment gold shall have the right to opt to tax investment gold if they supply it to another taxable person;

3.3.2.Taxable persons who in their trade normally supply gold to another taxable person for industrial purposes shall also have the right to tax investment gold from sub-paragraph 2.1 of this Article. The scope of the option may be restricted;

3.3.3.If the supplier from 3.3.1 and 3.3.2 of this Article, decides to opt for taxation, the agent carrying out services as referred to in 3.3.2 of this Article shall also have the right to opt for taxation.

4. Special rights and obligations for traders in investment gold:

4.1.Where his subsequent supply of investment gold is exempt pursuant to this article, the taxable person is entitled to deduct the following:

4.1.1.The VAT due or paid in respect of investment gold supplied to him by a person who opted for taxation in accordance with paragraph 3 of this Article;

4.1.2.The VAT due or paid in respect of a supply made to him or an importation of gold other than investment gold, carried out by him, which is subsequently transformed by him or on behalf of him, into investment gold;

4.1.3.The VAT due or paid for the services supplied to him consisting of change of form, weight or purity of gold including investment gold.

4.2.A taxable person who produces investment gold or transforms gold into investmentgold may deduct VAT due or paid by him for the supply or importation of goods or services linked to the production or transformation of such gold as if the subsequent supply of the gold exempt under the scheme were taxed.

5. Special obligations for taxable persons trading in investment gold.

Taxable persons shall keep records of investment gold transactions and keep documentation for ten (10) years after the end of the year to which such documents refer, regardless of what is defined in the Law No. 2004/48, on Tax Administration and Procedures.

CHAPTER XX

FINAL PROVISIONS

Article 63

Applicable Law and Tax Authorities

This Law shall, subject to Article 64 of this Law, supersede the VAT Law No. 03/L-114 of 18 December 2008

2. Tax Authorities:

2.1. TAK shall have the exclusive responsibility to administer VAT;

2.2. The Customs Service of the Republic of Kosovo shall, on behalf of TAK, assess, levy and collect VAT on imports, exports and other Customs arrangements, and undertake as well any other function relating to the administration of VAT, as may be required.

Article 64

Transitional period – Transitional provisions

1. A transitional period enables the Kosovo VAT legislation in specific fields to be gradually adapted to the European Union VAT legislation.

1.1 During the transitional period certain provisions of these specific fields as referred to in paragraph 3 of this Article, will not be implemented during the transitional period. This is in particular valid for the move to the exemptions without right of deduction of input VAT as referred to in the Articles 27 and 28 of Chapter VIII; for the introduction of the special schemes as referred to in Chapter XIX, except for the special scheme for electronically supplied services as referred to in article 61; and for the signature obligation on invoices.

1.2. during the transitional period, certain provisions relative to import and supplies as referred to in paragraph 4 of this Article ,remain exempted during the transitional period.These provisions relate primarily to imports and supplies made within the context of projects and programs for rebuilding Kosovo,as well as imports and supplies made within the context of the agricultural field.

2. The transitional period starts on 1 January 2010 and ends on 31 December 2012. This transitional period may be prolonged or reduced on a proposal made by the Minister of Economy and Finance,which is approved by the Assembly.Such a proposal must include an evaluation of the budgetary,economic and social effects of the implementation vis-a – vis the non-implementation of the provisions in question and fully justify the reasons for making the change.

3. The non-implementation on 1 January 2010 during the transitional period is put in place for:

3.1. The sub-paragraphs 4; 5; 10; 11; 12 of paragraph 1 ;the part of sub-paragraph 14 of paragraph 1 which relates to sub-paragraph 12 of paragraph 1 of Article 27 of this Law;

3.2. The paragraph 2 of Article 27 of this Law;

3.3. The part of paragraph 3 of Article 27 which relates to paragraph 2 of Article 27 of this Law;

3.4. The part of paragraph 4 of Article 44 of this Law which concerns the signature obligation of the invoice;

3.5. The chapter XX in respect of the special schemes except for the special scheme for electronically supplied services as referred to in Article 61 of this Law.

4. The implementation on 1 January 2010 during the transitional period of provisions which have their equivalent in the VAT Regulation No. 2001/11 as amended and in the VAT Law 03/L-114:

4.1. The paragraph 2 of Article 29 of this Law;

4.2. The paragraph 2 of Article 30 of this Law;

4.3. The paragraph 2 of Article 33 of this Law;

4.4. The paragraph 3 of Article 33 of this Law.

5. TAK shall continue to apply the VAT Regulation No. 2001/11 as amended and the VAT Law No. 03/L-114, when considering any tax issues related to tax periods up to and including the tax periods before the entry into force of the present VAT Law that might arise on or after that date.

Article 65 Implementation

1. The Minister of Economy and Finance shall issue the sub-legal acts required by and referred to in this Law within a period of six months commencing on the date of entry into force of this Law.
2. The Director may also issue public rulings in accordance with Article 9 of the Law No. 2004/48 on Tax Administration and Procedures for administering this Law and for providing commentaries and additional explanations.
3. The present Law shall be applied from 1 January 2010.

Article 66 Entry into force

This law enter into force fifteen (15) days after publication in the Official Gazette of the Republic of Kosova.

**Law No.03/L- 146
29 December 2009**

President of the Assembly of the Republic of Kosovo

Jakup KRASNIQI

ANNEX I
LIST OF THE ACTIVITIES REFERRED TO IN THE THIRD PARAGRAPH
OF ARTICLE 4:

1. Telecommunications services;
2. supply of water, gas, electricity and thermal energy;
3. transport of goods;
4. port and airport services;
5. passenger transport;
6. supply of new goods manufactured for sale;
7. transactions in respect of agricultural products, carried out by agricultural intervention agencies pursuant to Regulations on the common organisation of the market in those products;
8. organisation of trade fairs and exhibitions;
9. warehousing;
10. activities of commercial publicity bodies;
11. activities of travel agents;
12. running of staff shops, cooperatives and industrial canteens and similar institutions;
13. activities carried out by radio and television bodies in so far as these are not exempt pursuant to subparagraph 1.16 of Article 27.
14. Service for sewerage, offscourings and soil disposal by the municipal and public bodies.

ANNEX II
INDICATIVE LIST OF THE ELECTRONICALLY SUPPLIED SERVICES
REFERRED TO IN POINT (K) OF SUB-PARAGRAPH 3.2.9 OF ARTICLE
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1. Website supply, web-hosting, distance maintenance of programmes and equipment;
2. supply of software and updating thereof;
3. supply of images, text and information and making available of databases;
4. supply of music, films and games, including games of chance and gambling games, and of political, cultural, artistic, sporting, scientific and entertainment broadcasts and events;
5. supply of distance teaching.

ANNEX III:
**LIST OF SUPPLIES OF GOODS AND SERVICES TO WHICH THE
REDUCED RATES REFERRED TO IN ANNEX III OF PARAGRAPH 2 OF
ARTICLE 26 MAY BE APPLIED:**

Limited list of items subject to a reduced rate of VAT six percent (6%):

1. Foodstuffs (including beverages but excluding alcoholic beverages) for human consumption; seeds, plants and ingredients normally intended for use in the preparation of foodstuffs; products normally used to supplement foodstuffs or as a substitute for foodstuffs;
2. Supply of water; and
3. Supply of services provided in connection with street cleaning, refuse collection and waste treatment, other than the supply of such services by bodies referred to in Paragraph 3 of Article 4 of this Law.

Alternative list if there is a desire to further limit the six percent (6%) reduced rate:

Goods and Services to which a reduced rate is to be applied:

1. Rice, Cereal grains such as barley, corn, maize, oats, rye, and wheat
2. Products made from cereal grains intended for human consumption and containing at least fifty percent (50%) of the cereal grain, such as flour, breakfast cereals, pastas, bread, etc.
3. Soybeans and products intended for human consumption containing at least twenty-five percent (25%) soybeans or soybean extracts.
4. Sugar, refined and unrefined, including confectioners' sugar intended for human consumption
5. Vegetables, raw and processed, frozen or canned, intended for human consumption, including potatoes and potato products, tomatoes and tomato products, and similar vegetables and their products which include at least 50% of the vegetable in the product.

6. Fish – frozen, fresh and canned - intended for human consumption
7. Meat, including beef, chicken, lamb, and pork and their products intended for human consumption, so long as the respective product contains a minimum of 50% of the meat in the product.
8. Cooking oils made from grains or oil seeds intended for use in cooking for human consumption
9. Milk and milk products intended for human consumption
- (10)Beverages, excluding alcoholic and carbonated beverages, intended for human consumption
11. Fruits and fruit products intended for human consumption so long as the fruit product contains a minimum of 50% of a fruit or fruits

LIST OF SUPPLIES OF GOODS AND SERVICES TO WHICH THE REDUCED RATES REFERRED TO IN ANNEX III OF THE COUNCIL DIRECTIVE 2006/112/EC of 28 NOVEMBER 2006 PARAGRAPH 2 OF ARTICLE 26 MAY BE APPLIED

1. Foodstuffs (including beverages but excluding alcoholic beverages) for human and animal consumption; live animals, seeds, plants and ingredients normally intended for use in the preparation of foodstuffs; products normally used to supplement foodstuffs or as a substitute for foodstuffs.
2. Supply of water;
3. Pharmaceutical products of a kind normally used for health care, prevention of illnesses and as treatment for medical and veterinary purposes, including products used for contraception and sanitary protection;
4. Medical equipment, aids and other appliances normally intended to alleviate or treat disability, for the exclusive personal use of the disabled, including the repair of such goods, and supply of children's car seats;
5. Transport of passengers and their accompanying luggage;
6. Supply, including on loan by libraries, of books (including brochures, leaflets and similar printed matter, children's picture, drawing or coloring books, music

printed or in manuscript form, maps and hydrographic or similar charts), newspapers and periodicals, other than material wholly or predominantly devoted to advertising;

7. Admission to shows, theatres, circuses, fairs, amusement parks, concerts, museums, zoos, cinemas, exhibitions and similar cultural events and facilities;

8. Reception of radio and television broadcasting services;

9. Supply of services by writers, composers and performing artists, or of the royalties due to them;

10. Provision, construction, renovation and alteration of housing, as part of a social policy;

11. Supply of goods and services of a kind normally intended for use in agricultural production but excluding capital goods such as machinery or buildings;

12. Accommodation provided in hotels and similar establishments, including the provision of holiday accommodation and the letting of places on camping or caravan sites;

13. Admission to sporting events;

14. Use of sporting facilities;

15. Supply of goods and services by organizations recognized as being devoted to social wellbeing by Member States and engaged in welfare or social security work, in so far as those transactions are not exempt pursuant to Articles 132, 135 and 136;

16. Supply of services by undertakers and cremation services, and the supply of goods related thereto;

17. Provision of medical and dental care and thermal treatment in so far as those services are not exempt pursuant to points (b) to (e) of Article 132(1);

18. Supply of services provided in connection with street cleaning, refuse collection and waste treatment, other than the supply of such services by bodies referred to in Article 13.

LIST OF SUPPLIES OF GOODS AND SERVICES TO WHICH THE INCREASED RATES REFERRED TO IN PARAGRAPH 2 OF ARTICLE 26 MAY BE APPLIED

Goods and Services to which an increased rate it to be applied:

1. Passenger Vehicles sold in Kosovo to the initial user of the vehicle, which are sold for a price, including all options and normal services performed at the time of sale, of 25,000 euros or more;
2. Alcoholic beverages with an alcohol content of 8% (15%) or higher;
3. Tobacco and tobacco products; and
4. Perfumes and Eau de Cologne

ANNEX IV: AGRICULTURAL PRODUCTS

Description	Code
Live bovine animals, pure-bred breeding animals	0102 10
Live swine, pure-bred breeding animals	0103 1000
Live sheep, pure-bred breeding animals	0104 1010
Live goats, pure-bred breeding animals	0104 2010
Live poultry, that is to say, fowls of the species Gallus domesticus, ducks, geese, turkeys and guinea fowls, weighing not more than 185 g	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	0701 1000
Onions, sets	0703 1011
Spelt for sowing	1001 9010
Common wheat and meslin, seed	1001 9091
Rye, seed	ex 1002 0000
Barley, seed	1003 0010
Oats, seed	ex 1004 0000
Maize (corn), seed	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 Herbicides, anti-sprouting products and plant-growth regulators Rodenticides Dryers, for agricultural products.	3808 20 3808 30 3808 9010 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 sportsgrounds); machines for cleaning, sorting or grading eggs, fruit or other agricultural produce,	8433 20 to 8433 90

other than machinery of heading 8437.	
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