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Contacts:

Loreta Peçi

Country Managing Partner

E-mail: loreta.peci@al.pwc.com

Gresë Rexhepi

Manager

E-mail: grese.rexhepi@al.pwc.com

Shpend Zeka

Assistant Manager

E-mail: shpend.zeka@al.pwc.com

Str. Mujo Ulqinaku, No. 5,

Ap. 10, 5th floor

Qyteza Pejton

Prishtinë, Kosovo

Tel: +381 (0) 38 722 555

www.pwc.com/ks

Amended Law on Public Debt Forgiveness

As of 19 January 2017, Law No. 05/L-119 “On Amending and Supplementing the Law No. 05/L-043 on Public Debt Forgiveness” (“the Amended Law”), has entered into force.

This Amended Law modifies the definition of eligible persons and provides an extension of the deadline to benefit from public debt forgiveness *until 1 September 2017*.

► Amended definition of eligible persons

The following amendment has been made on the definition of eligible persons.

Article 3, paragraph 1.6 of the Law No. 05/L-043 on Public Debt Forgiveness (“the Law”) is reworded and replaced by:

“1.6. Person - for the purpose of this Law, means all the natural and legal persons (except Socially Owned Enterprises under the management of the Privatization Agency of Kosovo) that have outstanding public debt amounts towards State Institutions and Public Enterprises.”

The Law foresaw that all private (non-public) natural and legal persons could benefit from debt forgiveness. In cases where the person was a public-private partnership, the debt forgiveness would be divided according to participation of the private partner in the PPP.

With the Amended Law, all natural and legal persons (private and public), except socially owned enterprises under the management of the Privatization Agency of Kosovo, can benefit from debt forgiveness.

► *Extension of application deadline*

Under the Amended Law, the deadline to apply for public debt forgiveness has been extended.

Article 6, paragraph 4 of the Law is reworded and replaced by:

“4. Entities that can benefit from the public debt forgiveness under Article 4 of the basic Law, can realize this right until 1 September 2017.”

The period during which entities can apply for and benefit from the public debt forgiveness has been extended until 1 September 2017.

[Source: Law No. 05/L-119, Official Gazette No. 4/2017, published on 19 January 2017.]

► *Overview of public debt forgiveness law*

According to the Law, eligible persons benefit from tax amnesty in the following manner:

- Public debt until 31 December 2008 (including unpaid taxes, interest, penalties and fines) is forgiven if the person either:
 1. Pays the assessed net tax due (excluding penalties, interest and fines) in full for the periods 1 January 2009 until 31 December 2014, or
 2. Enters into an agreement to pay the assessed net tax due in instalments for the periods 1 January 2009 until 31 December 2014.

Debtors that follow the first option benefit from *total* debt forgiveness of fines, penalties and interest for the period 1 January 2009 to 31 December 2014.

In contrast, debtors that follow the second option benefit from *partial* debt forgiveness of fines *but not penalties and interest* for the period 1 January 2009 – 31 December 2014.

These benefits also extend to persons without any outstanding public debt for the periods until 31 December 2008, but that still wish to utilize the debt forgiveness provisions for tax liabilities borne during the periods 1 January 2009 to 31 December 2014.

Any public debt until 31 December 2008 that is less than EUR 100 will be automatically forgiven.

[Source: Law No.05/L-043, Official Gazette No. 24/2015, published on 18 August 2015.]

Decision to reduce the annual interest rate for unpaid tax liabilities

As foreseen by Article 28, paragraph 4 of the Law No. 03/L-222 “On Tax Administration and Procedures”, the interest rate shall be determined by the Ministry of Finance at least once per calendar year and shall be published by the Tax Administration of Kosovo (TAK).



On 23 January 2017, the Minister of Finance signed a decision to reduce the annual interest rate applied to unpaid tax liabilities and to increase it for late tax refunds by TAK.

The new interest rates presented below are applicable for FY 2017:

- 7.80% *annually* (0.65% monthly) – for unpaid tax liabilities
- 1.44% *annually* (0.12% monthly) – for late refunds by TAK

In contrast, FY 2016 rates were:

- 8.40% *annually* (0.70% monthly) – for unpaid tax liabilities
- 1.20% *annually* (0.10% monthly) – for late refunds by TAK

[Source: Ministry of Finance]

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