

KOSOVO - LOGIC CHANGES

AUTHORITY UPDATE GUIDE

THOMSON REUTERS TAX RESEARCH
JULY 2022 CONTENT UPDATE #1

Introduction

This guide provides an explanation of the most recent changes made to OTID for the authority of Kosovo, which were implemented to properly support the place of supply rules for services.

The authority logic group of “CLSDSPPStandardJD” will be mapped with an effective date of 1 September 2022.

Moreover, the “DS - Default Services Reverse Charge” and “CL - Customer Location Reverse Charge” authority options will be updated with the following parameters, effective 1 September 2022:

| AUTHORITY OPTION | CONDITION | VALUE |
|---------------------------------------|---------------------|-----------------------|
| DS - Default Services Reverse Charge | Foreign Transaction | Registration Required |
| CL - Customer Location Reverse Charge | Foreign Transaction | Registration Required |

In consequence, the cross-border results received for the Transaction Types of Default Services, Customer Location Services and Electronic Services will differ from the current ones, while the rest, particularly received for Physical Performance, will remain unchanged.

With accordance to the latest amendments:

1. Default Services – this transaction type will provide a different taxability depending on whether the buyer of the services is a relevant business entity:

- a) For B2B transactions – the place of supply is where the recipient of the services is located. Thus, if the recipient is located in Kosovo and the supplier is a foreign entity, a reverse charge for the buyer will occur.

b) For B2C transactions – the place of supply is where the supplier is located. If the recipient is located in Kosovo and the supplier is established abroad, there would be no taxable supply and tax obligation in Kosovo.

2. Customer Location Services and Electronic Services – these transaction types provide taxation for all the services that are taxable where the customer has its registered seat. In this case Determination will return “reverse-charge” in the customer’s location and “not liable” in the seller’s country for B2B transactions, as well as the local registration requirement for B2C supplies.

Below are some examples of the expected results for Kosovo authority in respect of supply / acquisition of the abovementioned services.

TAX RESULTS EXAMPLES

Test 1: Default Services provided by a foreign Seller to the Kosovan Buyer

| WORKBENCH ELEMENTS | VALUES |
|---------------------|------------------|
| Transaction Type | Default Services |
| Seller Primary | Germany |
| Buyer Primary | Kosovo |
| Seller Registration | DE123456789 |
| Buyer Registration | 312345678 |

Results for the SELLER:

| Tax Calculation Results | | | | | | | | | | |
|--|-----------|---|--------------|----------|-----|-----|------|----------|----|----|
| Scenario 2022 July 1st Update - Kosovo logic changes (DS): | | | | | | | | | | |
| View Results: <div>1</div> | | Gross Amount: 100.00 | | Eff%: 0% | | | | | | |
| Zone | | Authority | Invoice Desc | Type | Dir | Fee | Rate | Tax Amt | TT | IT |
| Country: GERMANY | | Germany | Not Liable | NL | O | | 0% | 0.00 | | |
| Country: KOSOVO | | Kosovo | Not Liable | NL | O | | 0% | 0.00 | | |
| | | | | | | | | 0.00 USD | | |
| <div>Authority Messages:</div> | | | | | | | | | | |
| Authority | RuleOrder | Message | | | | | | | | |
| Germany | 5001 | EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112. | | | | | | | | |
| Kosovo | 5001 | GCSDS21: No VAT liability in Buyer's country. Customer to Reverse Charge. | | | | | | | | |

Results for the BUYER:

| Tax Calculation Results | | | | | | | | | | |
|--|-----------|---|--------------|----------|-----|-----|------|----------|----|----|
| Scenario 2022 July 1st Update - Kosovo logic changes (DS): | | | | | | | | | | |
| View Results: 1 | | Gross Amount: 100.00 | | Eff%: 0% | | | | | | |
| Zone | | Authority | Invoice Desc | Type | Dir | Fee | Rate | Tax Amt | TT | IT |
| Country: KOSOVO | | Kosovo | VAT | RC | O | | 18% | 18.00 | | |
| Country: KOSOVO | | Kosovo | VAT | RC | I | | 18% | 18.00 | | |
| | | | | | | | | 0.00 USD | | |
| Authority Messages: | | | | | | | | | | |
| Authority | RuleOrder | Message | | | | | | | | |
| Kosovo | 10000 | GCBDS31: Reverse charge in Buyer's country. | | | | | | | | |
| Kosovo | 10000 | GCBDS32: Recovery of Reverse charge in Buyer's country. | | | | | | | | |

Test 2: B2B Default Services provided to a foreign Buyer by the Kosovan Seller

| WORKBENCH ELEMENTS | VALUES |
|---------------------|------------------|
| Transaction Type | Default Services |
| Seller Primary | Kosovo |
| Buyer Primary | Germany |
| Seller Registration | 312345678 |
| Buyer Registration | DE123456789 |

Results for the SELLER:

| Tax Calculation Results | | | | | | | | | | | | |
|--|-----------|---|--|--------------|--|------|-----|-----|------|---------|----------|----|
| Scenario 2022 July 1st Update - Kosovo logic changes (DS): | | | | | | | | | | | | |
| View Results: <input type="checkbox"/> | | Gross Amount: 100.00 | | Eff%: 0% | | | | | | | | |
| Zone | | Authority | | Invoice Desc | | Type | Dir | Fee | Rate | Tax Amt | TT | IT |
| Country: KOSOVO | | Kosovo | | Not Liable | | NL | O | | 0% | 0.00 | | |
| Country: GERMANY | | Germany | | Not Liable | | NL | O | | 0% | 0.00 | | |
| | | | | | | | | | | | 0.00 USD | |
| <input type="checkbox"/> Authority Messages: | | | | | | | | | | | | |
| Authority | RuleOrder | Message | | | | | | | | | | |
| Kosovo | 5001 | GCSDS20: No VAT liability in Seller's country. | | | | | | | | | | |
| Germany | 5001 | EUSS04: No VAT liability in Buyer's country under Articles 196 and 44 of EC Directive 2006/112. Customer to Reverse Charge. | | | | | | | | | | |

Test 3: B2C Default Services provided to a foreign Buyer by the Kosovan Seller

| WORKBENCH ELEMENTS | VALUES |
|---------------------|------------------|
| Transaction Type | Default Services |
| Seller Primary | Kosovo |
| Buyer Primary | Germany |
| Seller Registration | 312345678 |

Results for the SELLER:

| Tax Calculation Results | | | | | | | | | | | | |
|--|--|----------------------|--|---|--|------|-----|-----|------|-----------|----|----|
| Scenario 2022 July 1st Update - Kosovo logic changes (DS): | | | | | | | | | | | | |
| View Results: <div>4</div> | | Gross Amount: 100.00 | | Eff%: 18% | | | | | | | | |
| Zone | | Authority | | Invoice Desc | | Type | Dir | Fee | Rate | Tax Amt | TT | IT |
| Country: KOSOVO | | Kosovo | | VAT | | S | O | | 18% | 18.00 | | |
| | | | | | | | | | | 18.00 USD | | |
| <div><input type="checkbox"/> Authority Messages:</div> | | | | | | | | | | | | |
| Authority | | RuleOrder | | Message | | | | | | | | |
| Kosovo | | 10000 | | GCSDS2: Output VAT in Seller's country. | | | | | | | | |

Test 4: B2B Customer Location Services provided by a foreign Seller to the Kosovan Buyer

| WORKBENCH ELEMENTS | VALUES |
|---------------------|----------------------------|
| Transaction Type | Customer Location Services |
| Seller Primary | Germany |
| Buyer Primary | Kosovo |
| Seller Registration | DE123456789 |
| Buyer Registration | 312345678 |

Results for the SELLER:

| Tax Calculation Results | | | | | | | | | | |
|---|-----------|---|--------------|----------|-----|-----|------|----------|----|----|
| Scenario 2022 July 1st Update - Kosovo logic changes (CLS): | | | | | | | | | | |
| View Results: <div><div></div></div> | | Gross Amount: 100.00 | | Eff%: 0% | | | | | | |
| Zone | | Authority | Invoice Desc | Type | Dir | Fee | Rate | Tax Amt | TT | IT |
| Country: GERMANY | | Germany | Not Liable | NL | O | | 0% | 0.00 | | |
| Country: KOSOVO | | Kosovo | Not Liable | NL | O | | 0% | 0.00 | | |
| | | | | | | | | 0.00 USD | | |
| <div><div></div> Authority Messages:</div> | | | | | | | | | | |
| Authority | RuleOrder | Message | | | | | | | | |
| Germany | 5001 | EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112. | | | | | | | | |
| Kosovo | 5001 | GCSC13: No VAT liability in Buyer's country. | | | | | | | | |

Results for the BUYER:

| Tax Calculation Results | | | | | | | | | | |
|---|-----------|---|--------------|----------|-----|-----|------|----------|----|----|
| Scenario 2022 July 1st Update - Kosovo logic changes (CLS): | | | | | | | | | | |
| View Results: 1 | | Gross Amount: 100.00 | | Eff%: 0% | | | | | | |
| Zone | | Authority | Invoice Desc | Type | Dir | Fee | Rate | Tax Amt | TT | IT |
| Country: KOSOVO | | Kosovo | VAT | RC | O | | 18% | 18.00 | | |
| Country: KOSOVO | | Kosovo | VAT | RC | I | | 18% | 18.00 | | |
| | | | | | | | | 0.00 USD | | |
| <div>Authority Messages:</div> | | | | | | | | | | |
| Authority | RuleOrder | Message | | | | | | | | |
| Kosovo | 10000 | GCBCL31: Reverse charge in Buyer's country. | | | | | | | | |
| Kosovo | 10000 | GCBCL32: Recovery of reverse charge in Buyer's country. | | | | | | | | |

Test 5: B2B Customer Location Services provided to a foreign Buyer by the Kosovan Seller

| WORKBENCH ELEMENTS | VALUES |
|---------------------|----------------------------|
| Transaction Type | Customer Location Services |
| Seller Primary | Kosovo |
| Buyer Primary | Germany |
| Seller Registration | 312345678 |
| Buyer Registration | DE123456789 |

Results for the SELLER:

Tax Calculation Results

Scenario 2022 July 1st Update - Kosovo logic changes (CLS):

View Results: 2

Gross Amount: 100.00

Eff%: 0%

| Zone | Authority | Invoice Desc | Type | Dir | Fee | Rate | Tax Amt | TT | IT |
|------------------|-----------|--------------|------|-----|-----|------|----------|----|----|
| Country: KOSOVO | Kosovo | Not Liable | NL | O | | 0% | 0.00 | | |
| Country: GERMANY | Germany | Not Liable | NL | O | | 0% | 0.00 | | |
| | | | | | | | 0.00 USD | | |

Authority Messages:

| Authority | RuleOrder | Message |
|-----------|-----------|---|
| Kosovo | 5001 | GCSC18: No liability in Seller's Country. |
| Germany | 5001 | EUSS04: No VAT liability in Buyer's country under Articles 196 and 44 of EC Directive 2006/112. Customer to Reverse Charge. |

Test 6: B2C Customer Location Services provided by a foreign Seller to the Kosovan Buyer

| WORKBENCH ELEMENTS | VALUES |
|---------------------|----------------------------|
| Transaction Type | Customer Location Services |
| Seller Primary | Germany |
| Buyer Primary | Kosovo |
| Seller Registration | 312345678 |

Results for the SELLER:

Tax Calculation Results

Scenario 2022 July 1st Update - Kosovo logic changes (CLS):

View Results: 3

Gross Amount: 100.00

Eff%: 18%

| Zone | Authority | Invoice Desc | Type | Dir | Fee | Rate | Tax Amt | TT | IT |
|------------------|-----------|--------------|------|-----|-----|------|-----------|----|----|
| Country: GERMANY | Germany | Not Liable | NL | O | | 0% | 0.00 | | |
| Country: KOSOVO | Kosovo | VAT | S | O | | 18% | 18.00 | | |
| | | | | | | | 18.00 USD | | |

Authority Messages:

| Authority | RuleOrder | Message |
|-----------|-----------|--|
| Germany | 5001 | EUCLB2C03: No VAT liability in Seller's country under Article 59 of EC Directive 2006/112. |
| Kosovo | 10000 | GCSC14: Output VAT in Buyer's country. |

Test 7: B2C Customer Location Services provided to a foreign Buyer by the Kosovan Seller

| WORKBENCH ELEMENTS | VALUES |
|---------------------|----------------------------|
| Transaction Type | Customer Location Services |
| Seller Primary | Kosovo |
| Buyer Primary | Germany |
| Seller Registration | 312345678 |

Results for the SELLER:

| Tax Calculation Results | | | | | | | | | | | | | |
|---|--|----------------------|--|---|--|------|-----|-----|------|---------|----------|----|--|
| Scenario 2022 July 1st Update - Kosovo logic changes (CLS): | | | | | | | | | | | | | |
| View Results: <div><div></div></div> | | Gross Amount: 100.00 | | Eff%: 0% | | | | | | | | | |
| Zone | | Authority | | Invoice Desc | | Type | Dir | Fee | Rate | Tax Amt | TT | IT | |
| Country: KOSOVO | | Kosovo | | Not Liable | | NL | O | | 0% | 0.00 | | | |
| | | | | | | | | | | | 0.00 USD | | |
| <div><div></div> Authority Messages:</div> | | | | | | | | | | | | | |
| Authority | | RuleOrder | | Message | | | | | | | | | |
| Kosovo | | 5001 | | GCSC18: No liability in Seller's Country. | | | | | | | | | |