

TIWB Programme N° F2017-0008

Host Administration:

Tax Administration of Kosovo (KTA)

Expert Source:

TIWB Roster Expert

Programme Dates:

August 2018 – May 2020

The TIWB Secretariat received a request from KTA in September 2017 to provide transfer pricing (TP) audit assistance to KTA's newly created TP team. Tax issues covered under this TIWB Programme included risk assessment, TP documentation, as well as other international tax issues in the financial, trading, and other sectors. A TIWB Roster Expert provided support during six missions between August 2018 and May 2020, of which five were onsite and one was conducted remotely. The last mission was virtual due to travel restrictions resulting from the COVID-19 pandemic. KTA began its first TP audits under this TIWB programme and 12 audit cases were progressed, while preliminary work for 5 additional cases was completed. Both the Host Administration and the Expert rated the support provided by the TIWB Secretariat during the programme and the structure of the programme as very high.

Impact of the practical audit assistance programme

The TP audit assistance programme helped Kosovo achieve the following results:

- **Human Resource Development - Skill and Knowledge Transfer:** Five tax officials from the KTA's TP and Large Taxpayers units gained in-depth experience of conducting risk assessment, applying TP methodologies, performing functional analysis of related parties, understanding the TP documentation of taxpayers and to some extent conducting database searches. A larger number of auditors participated in the TIWB programme activities on an ad hoc basis. The assistance resulted in increased self-confidence in the team's ability to handle TP cases. Ability to conduct risk assessment was one of the greatest points of improvement. The KTA officials gained extensive experience with the OECD standard TP methodologies and approach. Auditors involved in the programme were able to successfully apply the acquired skills in their day-to-day audit work.
- **Institutional Development – Legislative changes, tools, processes, and procedures:** During the programme, KTA established a tool for TP risk assessment and introduced a TP audit manual. Additionally, a TP report template was drafted to be used in future audits.
- **Lessons Learned:** A strategy should be put in place to increase the scope of TP audits. Based on the success of this programme, the KTA requested another programme in the finance and banking sectors.