Comparative analysis of international practices on financial reporting requirements for CSOs
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Introduction

Reporting requirements, including financial reporting is an important, although often considered less appealing part of the work of civil society organizations (“CSO”). It is crucial for demonstrating transparency and good governance of CSOs and it can have a positive impact on the development of trust in CSOs and improving their public image. A good financial reporting system is based on the rights of CSOs rather than a mechanism for state control. It is tailor-made to the sector and proportionate to the size and type of CSOs. It improves the overall transparency of CSOs and brings them closer to the public. This will ultimately lead to increased public trust in the sector. The present analysis was prepared by the European Center for Not-for-Profit Law Stichting (ECNL) based on a request from the Kosovar Civil Society Foundation (KCSF). It aims to highlight some comparative practices in order to facilitate a public debate about the need for a comprehensive financial reporting system for civil society organizations in Kosovo.

The analysis firstly outlines international and European standards on financial reporting of CSOs and instruments that protect them. In the next section, it describes the concept of financial reporting and potential benefits it can bring. Afterwards, the analysis summarizes the current state of financial reporting in Kosovo. This section is followed by a review of comparative practices of financial reporting for CSOs in Romania, Italy, Finland, Belgium and the Netherlands, with focus on the following: i) reporting based on accounting laws; ii) audit requirements; iii) tax reporting; iv) reporting arising from anti-money laundering legislation; and v) other reporting requirements. The analysis is concluded with a summary of the main learnings and policy recommendations applicable to Kosovo.

This analysis is based on desktop research as well as information collected by ECNL and its partners from local lawyers under the Global Nonprofits Guide that will be soon featured on ECNL’s website. The mapping of the legislative environment for CSO financial reporting in Kosovo was conducted with the support from KCSF.

1. International and European standards applicable to financial reporting

Safe and enabling environment for civil society is protected by a wide range of international and European instruments, including the Universal Declaration of Human Rights. According to this, everyone has the right to freedom of peaceful assembly and association. The Declaration provides guarantees to the right to privacy stating that no one shall be subjected to arbitrary interference with his privacy. The Declaration also introduces the principle of non-discrimination according to which “All are equal before the law and are entitled without any discrimination to equal protection of the law...” Another international instrument, the International Covenant on Civil and Political Rights (“ICCPR”), states that “…Everyone shall have the right to freedom of association with others, including the

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1 The Global Nonprofits Guide is a free tool for navigating the nonprofit laws around the world developed jointly by European Center for Not-for-Profit Law (ECNL), DLA Piper and PILnet, with a generous support of pro bono lawyers from around the world. It provides easy to use information on registration, operation and termination of CSOs.

right to form and join trade unions for the protection of his interests.” Limitations to this right are only allowed in limited cases described below under the section on “Freedom of association”. The document also provides guarantees for the right to privacy and emphasizes the application of non-discrimination principle and equal protection of the law. One of the most important instruments at the European level providing guarantees for these freedoms is the European Convention on Human Rights. Similarly to the above instruments, the Convention provides protections for the freedom of association and assembly, right to privacy and equal treatment. Reporting requirements for CSOs impact the environment in which CSOs operate and therefore, they should also comply with standards included in these instruments. These standards are typically components of the freedom of association, right to privacy and principle of non-discrimination.

**Freedom of association**

As part of the freedom of association, CSOs should be free to operate and conduct their activities. Financial reporting **should not limit CSO activities and create various bureaucratic obstacles**, amounting to a limitation of freedom of association. This was also emphasized by the UN Human Rights Council in its resolution 22/6 from March 21, 2013, in which it called upon States to ensure that reporting requirements “do not inhibit functional autonomy [of associations]” and “do not discriminatorily impose restrictions on potential sources of funding.”

Any potential restrictions or limitations to the freedom of association (or any burden on CSO operation, including reporting obligations) must be: i) prescribed by law; ii) serve a legitimate aim; and iii) be necessary and proportionate.

i. **Legality.** To fulfil the principle of legality, reporting requirements have to be introduced in the law, clear and foreseeable. They need to provide sufficient clarity of the obligation, its potential violation and consecutive sanction for non-compliance.

ii. **Legitimate aim.** According to the international standards, legitimate aims include “the interests of national security or public safety, for the prevention of disorder or crime, for the protection of health or morals or for the protection of the rights and freedoms of others”. These, however, still have to meet the proportionality and necessity requirement. The UN Special Rapporteur in one of his thematic reports stressed that introducing counter-terrorism or anti-extremism measures in the name of national security of public safety to silence dissenting views or clamp down on independent civil society constitutes a violation of the international law. The states have an obligation to prove that a threat to one of the grounds for limitation exists.

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3 United Nations: International Covenant on Civil and Political Rights, articles 17, 22 and 26. Available at: International Covenant on Civil and Political Rights | OHCHR
6 These principles are enshrined, for example, in Art. 29(2) of the Universal Declaration of Human Rights or Art. 22(2) of the ICCPR.
and that the measures taken were introduced to deal with the threat. In order to meet the proportionality and necessity test, restrictive measures must be the least intrusive means to achieve the desired objective and be limited in scope. This means that such measures should not target civil society as a whole, but be limited to the associations falling within the clearly identified aspects characterizing terrorism only. In addition, laws drafted in general terms limiting, or even banning funding under the justification of counter-terrorism do not comply with the requisites of “proportionality” and “necessity”.

iii. Necessity and Proportionality. There should be clear evidence that the proposed measures (i.e., reporting) respond to a concrete threat (e.g., possibility for money laundering) and are designed to solve the identified problems. Reporting requirements and the level of effort they expect should be also proportionate to the size of the organization. According to the Joint Guidelines on Freedom of Association of the Venice Commission and the OSCE/ODIHR, reporting requirements shall not be unnecessarily burdensome, but proportionate to the size of the organization and the scope of its activities, taking into consideration the value of its assets and income.

Right to privacy

When the financial reporting rules require from CSOs to report personal information, for example, about its donors, such requirement should comply with the international guarantees of the right to privacy. According to the Council of Europe Recommendation, all reporting should be subject to a duty to respect the right to privacy of donors, beneficiaries and staff, as well as the right to protect legitimate business confidentiality. In exceptional cases, the general interest may justify that authorities have access to private or confidential information, for instance in order to combat black market money transfers. However, any exception to business confidentiality or to the privacy and confidentiality of donors, beneficiaries and staff shall observe the principle of necessity and proportionality.

Distinction should be also made between “reporting obligations” (reporting information to the authorities) and “public disclosure obligations” (making information public or available to the general public). In its report, the Venice Commission states that while certain reporting obligations might be considered pursuing the legitimate aim of ensuring national security and prevention of disorder and crime, “the obligation to make public the information about the source of the

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funding (public disclosure obligation) does not appear to be capable of pursuing the same objective”.

**Right to equality and non-discrimination**

When it comes to financial reporting requirements, CSOs should not be treated less favourably than businesses or other legal entities. According to the Venice Commission “Associations should not be required to submit more reports and information than other legal entities, such as businesses, and equality between different sectors should be exercised”\(^\text{10}\). Also, the UN Special Rapporteur on the rights to freedom of peaceful assembly and of association in one of his reports highlighted as good practice an audit regime that establishes substantially similar requirements for associations and businesses. Moreover, he stressed that the **best practice is to provide simplified auditing and reporting requirements** for CSOs: “it is the best practice to institute simplified auditing and reporting procedures ...[for CSOs]... which may not have the financial and human resources to comply with more complex financial regulations.”\(^\text{12}\)

### 2. CSO financial reporting

Financial reporting is an obligation of a CSO to produce an account of its income and expenses and submit it to the relevant stakeholders, most commonly state authorities. States typically introduce CSO financial reporting obligations for transparency and accountability purposes. It is important to monitor income and expenses, ensure compliance with mandatory accounting regulations, communicate essential data to key stakeholders and the state authorities and perform analysis to support business decisions. Various factors can play a role when determining the specific financial reporting obligations and the scope of reporting, including the political, cultural and economic context of the country. States with relatively young democratic tradition and limited experience of cooperation with civil society may introduce more burdensome reporting requirements and subject CSOs to a more intensive oversight.

As a best practice, when determining the type and extent of the financial reporting obligation the size of the CSO and the volume of its revenues should be taken into consideration. The majority of countries reviewed under this analysis introduced less stringent reporting requirements for smaller sized CSOs as compared to the larger ones. More comparative information on financial reporting obligations in different countries is provided in chapter 5 below.


\(^{12}\) Report of the UN Special Rapporteur on the rights to freedom of peaceful assembly and of association no. A/70/266, para. 57. Available at: https://documents-dds-ny.un.org/doc/UNDOC/GEN/N15/242/64/PDF/N1524264.pdf?OpenElement
When designing financial reporting requirements, it is important to consider the country’s economic and cultural context, regulatory traditions and already existing legal framework. Also, the specifics of the CSO operation, including its non-profit nature, have to be taken into account when creating reporting rules. Effectively designed financial reporting obligations that take into account the specific nature of CSOs can bring several benefits to the organizations. Transparency in CSOs’ accounts and operations enables them to establish their credibility and earn public confidence and support. They inform stakeholders about the institutional mission and the means by which a specific CSO has used financial resources in carrying out its non-profit activities.

Financial reporting obligations can also stem from receiving state support (either through direct funding or indirect tax benefits) or funding from other sources. CSOs are usually subject to additional/separate reporting when they receive state funding in the form of grants or subsidies or when they raise funds from individual and corporate donors. The reporting requirements in such instances are typically based on the contract for funding and/or the requirements of the respective donors.13

3. Financial reporting of CSOs in Kosovo

There is a multi-layered system of financial reporting for CSOs in Kosovo. It includes reporting to the following entities:

1. **Tax Administration**: CSOs are required to report financial transactions and annual financial statements to the Tax Administration, as well as payroll tax, corporate tax, property/rent tax and pension contribution tax, as applicable. It is based on the Law No. 03/L-222 on Tax Administration and Procedures.

2. **Department for NGOs**: CSOs with public benefit status also need to submit an annual report on their actions and activities to the Department for Non-Governmental Organizations no later than 31 March following the calendar year. The financial statement section shall contain the balance sheet and the statement on revenues and expenditures.14 The financial statements need to be audited by an independent legal auditor for local CSOs with public benefit status, with revenues or annual expenditures over 100,000 Euro.15

3. **Financial Intelligence Unit of Kosovo (FIU-K)**: the Law No. 05/L-096 on the prevention of money laundering and combating terrorist financing (AML/CTF Law)16 regards all NGOs as reporting entities. It requires them to report all suspicious acts or transactions to the FIU-K within 24 hours from

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13 ECNL: Reporting requirements for CSOs: Overview of country regulation. Available at: [ECNL-Summary-CSO-Reporting.pdf](#).

14 Law no. 06/L – 043 on Freedom of Association in Non-Governmental Organizations, Article 38

15 Ibid

16 Law no. 05/L-096 on the Prevention of Money Laundering and Terrorist Financing, available at: [LAW NO. 05/L-096 ON THE PREVENTION OF MONEY LAUNDERING AND COMBATING TERRORIST FINANCING (rks-gov.net)](#)
the time when the act or the transaction is identified as suspicious. The reporting entities shall also appoint a compliance officer. The authorized representative shall in principle be the compliance officer and contact person with the FIU-K, unless the NGO specifies it differently with a written decision and duly notifies the FIU-K. NGOs shall maintain financial data/ledgers that document all incomes and expenditures. These data shall identify the income by source, the amount, and manner of payment, and will identify the paid amount by the recipient, intended use of funds, and the manner of payment. Documents for financial data shall be maintained for five (5) years and shall be available upon request of the FIU-K and the competent body under the Law on Freedom of Association in the Non-Governmental Organizations (“Law on NGOs”). CSOs are also limited in the amounts of cash contributions they can receive. NGOs shall disclose the details and information about this in the annual report submitted in agreement with the NGO Law.17

According to the Kosovar country report prepared under the Monitoring Matrix on Enabling Environment for Civil Society Development monitoring framework, “Kosovo’s legislation on financial reporting and accounting rules does not take into account the specific nature of CSOs”18. According to the Report, “...reporting requirements to the Tax Administration, as well as sanctions for failing to fulfil these reporting requirements do not take into account peculiarities of CSOs but are identical/proportionate to businesses.”19 On the other hand, the Law 04/L-014 on Accounting, Financial Reporting and Audit (Accounting law)20, regulating general financial reporting requirements for all businesses and public companies does not include CSOs at all. Aside calculating tax obligations for very few CSOs that qualify for corporate tax payment, public institutions do not have a systematic way of collecting accurate information on the financial aspects of the CSO sector. Only part of CSOs fulfil the reporting requirements and even those who do it, struggle to present their balances according to reporting formats designed for private companies.

According to the Report, the AML/CTF law is not in line with Financial Action Task Force (FATF) Recommendations and the EU Directive 2015/849. The EU Directive does not include nonprofit organizations (“NPOs”) as obliged entities. Article 4 of the Directive allows States “in accordance with the risk-based approach” to extend the list of obliged entities to categories of undertakings “which engage in activities which are particularly likely to be used for the purposes of money laundering or terrorist financing”. As can be seen from the texts cited, the addition of categories of persons and activities other than those listed in the Directive should be based on a proven probability or risk that they will be used for money laundering or terrorist financing. Therefore, the inclusion of NPOs can only be based on the

17 Ibid Art. 16, 29
19 Ibid
20 Law 04/L-014 on Accounting, Financial Reporting and Audit, available at: LIGJI NR. 04/L-014 PËR KONTABILITET, RAPORTIM FINANCIAR DHE AUDITIM (rks-gov.net)
risk-based approach, after a specific risk assessment has been conducted to identify those at high risk of money laundering abuse - not all NPOs.

4. Comparative examples of financial reporting models

In this section, we present comparative examples of financial reporting requirements for civil society organizations in Europe arising from the CSO legislation, tax legislation, accounting legislation and anti-money laundering (AML) legislation. We focus on requirements applicable to CSOs in Romania, Italy, Finland, Belgium, Croatia and the Netherlands.\textsuperscript{21} These countries were selected to showcase a variety of financial reporting models that exist in Europe. They were also selected based on their geographic diversity covering financial reporting legislation in southern, northern, western and eastern European regions.

In each section below, we describe basic requirements for financial reporting, analyse the different financial reporting models in the selected countries and support the examples with further details included in the text boxes.

4.1 Accounting rules

In all countries covered in this analysis, CSOs are required to keep books with their income and expenses. In Belgium, Finland, Croatia and Italy, this requirement is scaled based on the size of the CSO and/or its income. The laws in Belgium recognise following types of CSOs: a) small, including micro CSOs; and b) large and very large CSOs. Small and micro CSOs can keep simplified accounts and must file their annual accounts with the clerk of the competent Enterprise court. Large and very large CSOs must file their annual accounts with the National Bank of Belgium. The simplified accounts consist of the following information: i) types of revenues and expenditures and their amounts; ii) evaluation diagram including total assets and debts of the CSO, financial rights and commitments and other significant rights.

A CSO belongs to the first category of small and micro CSOs if it does not exceed more than one of the following thresholds (subject to consumer price index (CPI) adaptation):

- Average number of employees over the year is five or less;
- Annual receipts equal to or are lower than EUR 334,500 excluding VAT;
- Balance sheet totals to maximum EUR 1,337,000 excluding VAT.

If at least two thresholds are exceeded within one year, the CSO will belong to the second category of large and very large CSOs.

\textsuperscript{21} For the purposes of this analysis, we looked into the following organizational types: Romania: association and foundation, Italy: voluntary organizations incorporated as associations and foundations, Finland: associations and foundations, Belgium: non-profit associations, private foundations, public interest foundations, the Netherlands: organization representing social interests (ORSI), public benefit organizations (ANBI), foundations supporting an ORSI.
and commitments that cannot be quantified. On the other hand, large CSOs are subject to double-booking obligations, that include a balance sheet and an income statement. The balance sheet requires detailed information on the active assets, including fixed assets and stocks, and passive assets, including social fund, provisions and deferred taxes, detailed information on debts etc. Income statement looks into sales and services, cost of sales and services, operating profit or loss, financial products etc. When comparing the two reporting formats, the level of details required from large CSOs is much higher than from small and micro CSOs.22

In Croatia, CSOs should generally conduct a dual bookkeeping, unless they meet the following requirements: i) the value of the non-profit organisation's assets at the end of each of the previous three years consecutively is less than HRK 230,000.00 (approx. EUR 30,600); and ii) the annual income of the non-profit organization in each of the previous three years in succession is less than HRK 230,000.00 per year. In such case, a CSO representative may decide to conduct simple bookkeeping before the submission deadline for the previous fiscal year. Such decision is valid for the period when the CSO meets the above requirements or until its revocation. It shall be, however, noted that a CSO is obliged to run dual bookkeeping for the first three years after its establishment. CSOs with simplified reporting have to keep: i) box office book; ii) book of receipts and expenditures; iii) incoming account book; iv) exit account book; and v) list of fixed non-financial assets. In comparison, CSOs with dual bookkeeping obligation have to prepare a financial plan and keep diary, general ledger, auxiliary records and auxiliary books. Auxiliary books include: i) a book of fixed non-financial assets; ii) book of short-term non-financial assets; iii) a book of financial assets and liabilities; iv) book (diary) of the cash register; v) records of travel orders and the use of official vehicles. The number of documents and scope of information required is again more extensive for larger CSOs.23 In addition, CSOs in Croatia are required to draw up financial statements to be submitted annually to the Ministry of Finance. Small CSOs are only required to submit a statement on revenues and expenditures. The remaining organizations have to submit statements on the situation and structure, and changes in the value and volume of assets, liabilities, own sources, income and expenses.24

In Italy, CSOs with annual revenues not exceeding EUR 220,000 only have to draw up annual financial cash flow statements. CSOs with revenues equal to or exceeding EUR 220,000 must draw up financial statements consisting of a balance sheet, a management statement showing the organisation's income and expenditure, and a mission statement illustrating the items in the balance sheet, the organisation’s economic and management performance and how the organisation pursues its statutory aims. For this purpose, the Ministry of Labour and Social Policies designed forms specifically dedicated to CSOs that do not primarily engage in economic

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22 Royal Decree of 29 April 2019 implementing the Companies and Associations Code, Annex 6, 7 and 8. Available at: Royal Decree of 29 April 2019 implementing the Companies and Associations Code | CNC CBN (cnc-cbn.be)
23 Law on Financial Operations and Accounting of Non-Profit Organizations no. OG 121/14, Art. 9, 13–16. Available at: Law on Financial Operations and Accounting of Non-Profit Organizations – Zakon.hr
24 Ibid, Art. 29
activities. CSOs that conduct mainly economic activities, such as social enterprises, follow the same requirements and draw up the same forms as commercial legal entities.

In Romania and the Netherlands, the scope of bookkeeping requirements and the reporting obligations depend on whether an organisation engages in economic activities. In Romania, CSOs that do not conduct economic activities draw up only simplified financial statement, consisting of an abridged balance sheet and an abridged account of profit or loss for the given financial year. In the Netherlands, CSOs that do not engage in economic activities are not required to submit any financial reports. They have to, however, keep books with: a) the amounts that have been paid by the organisation, per director, to reimburse their expenses and attendance fees; b) the expenses made by the organisation; c) the income and the assets of the organisation.

### 4.2 Audit requirements

In all countries covered in this analysis, there is some requirement to audit financial reports. However, this requirement only applies to CSOs under certain conditions, typically when a financial threshold is reached or the number of employees exceeds certain thresholds.

<table>
<thead>
<tr>
<th>Country</th>
<th>Thresholds</th>
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<tbody>
<tr>
<td>Finland</td>
<td>a) balance sheet total exceeds EUR 100,000; b) net sales or comparable revenue exceeds EUR 200,000; c) average number of employees exceeds 3.</td>
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<tr>
<td>Italy</td>
<td>a) total assets value: EUR 1,100,000; b) revenues, income, receipts however denominated: EUR 2,200,000; c) average number of employees during the year is 12 or more.</td>
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<tr>
<td>Belgium</td>
<td>a) having more than 50 full time employees, b) having a turnover exceeding EUR 9,000,000, or; c) having net assets exceeding EUR 4,500,000.</td>
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<tr>
<td>Croatia</td>
<td>CSOs with a total income between 3 – 10 million HRK (approx. EUR 400,000 – EUR 1,330,000) are subject to simplified audit and CSOs with a total income exceeding 10 million HRK have to undergo a more rigorous audit. All CSOs that are required to undergo audit have to submit the audit reports and publish them online.</td>
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25 Decree of the Ministry of Labour and Social Policies of 5 March 2020: [https://www.gazzettaufficiale.it/eli/id/2020/04/18/20A02158/sg](https://www.gazzettaufficiale.it/eli/id/2020/04/18/20A02158/sg)

26 Cantiere Terzio Settore: How the new accounting standard works for the third sector, 2 March 2022. Available at: [How the new accounting standard works for the Third Sector – Cantiere Terzo Settore](https://www.gazzettaufficiale.it/eli/id/2020/04/18/20A02158/sg)

employees/members exceed certain limit. These thresholds are higher in all countries to avoid imposing burdensome reporting requirements on smaller CSOs with low turnovers and/or only a few or no employees.

In the Netherlands, the audit requirement is subject to a financial threshold. CSOs do not have to audit their reports, unless their net turnover over two consecutive financial years, and thereafter without any interruption, over two subsequent financial years amounts to EUR 40,000,000 or more. In Romania, the limit for audits is set based on the number of members/persons engaged. An auditor/censor has to be appointed in associations with over 15 members and in foundations with over 15 engaged persons.

In the remaining countries, Finland, Italy and Belgium, the audit requirement is determined based on a mix of financial thresholds and number of employees. The lowest thresholds, both for financial are human resources, are set in Finland. However, in Finland, the audit requirement applies only if at least two thresholds are exceeded cumulatively (e.g.; number of employees is more than 3 and the balance sheet total exceeds EUR 100,000).

In Finland and Italy, the thresholds have to be exceeded for more than one financial year, so unexpectedly high turnover in one year does not automatically mean that a CSO will have to conduct obligatory audits. Also, in both countries, at least 2 out of the 3 thresholds set by the laws have to be exceeded in order to trigger the audit requirement. In Belgium, a CSO is required to conduct audit already when one threshold is exceeded, however, the prescribed thresholds are significantly higher than in Finland or Italy.

4.3 Tax reporting

CSOs are subject to different tax reporting requirements based on the types of activities they engage in, source of their income and other property and income related criteria. In Italy, Finland and the Netherlands, CSOs can be exempt from the obligation to file an income tax return if certain conditions are met. In Italy, CSOs that are not registered to VAT and do not have taxable income are generally exempt from the obligation to file annual income tax returns. Income from economic activities, property income or capital income is typically considered a taxable income in Italy. In Finland28 and the Netherlands, the laws provide a list of conditions under which CSOs are required to file a tax return. If none of these conditions are met, CSOs are exempt from filing the income tax return.

In Belgium and Romania, all CSOs have to file corporate income tax returns regardless of whether they have taxable income in the given year.

CSOs may be subject to other tax reporting obligations depending on their income and types of activities. For example, if conducting for-profit economic activities that are regular, not VAT exempt and/or are generating revenues exceeding certain financial threshold, CSOs in all countries researched have to register to value added tax (VAT) and file periodic tax returns. Also, CSOs are obliged to file VAT tax returns if they voluntarily register to VAT.

In Finland, CSOs have to file income tax returns if they have received taxable income in the given financial year. In addition to that, CSOs are obliged to file tax returns if: i) the details of the property owned by the CSOs have changed or the CSO has sold or purchased the property during the financial year; ii) there has been a material change in the activities or fundraising of the CSO; iii) Tax Administration requests the CSO to file a tax return.

CSOs that are required to file income tax returns in Finland benefit from a simplified tax returns as compared to businesses. The tax returns are specifically designed for CSOs and other similar entities and require submission of following information: CSO specification (including number of members etc.), financial amounts received based on types of revenues (membership fees, sales of goods and services etc.), specification of tax-exempt sales of goods and services, other clarifications (such as membership in a group of entities), taxable results of allowable loss and contact information.

In the Netherlands, CSOs have to file income tax returns: i) if they conduct economic activity, or at least an activity against remuneration subject to VAT which exceeds EUR 15,000; ii) if they have employees; or iii) if they receive a gift/legacy and they don’t qualify as public benefit organisations with Dutch “ANBI” status.

4.4 AML requirements

CSOs in the selected countries are not subject to financial reporting requirements under the anti-money laundering/counter terrorism financing (AML/CTF) legislations. They are also not considered to be obliged entities under the applicable AML/CTF legislations. Bulgaria is an EU member state where there are requirements for associations and foundations under regulations against money laundering and terrorist financing. Even in Bulgaria, however, associations are not treated equally to other obliged entities, and they have to adopt internal rules against money laundering if their turnover exceeds 10,000 EUR.

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In addition to the reporting requirements described above, CSOs may be subject to other reporting requirements arising from applicable laws. In Italy and Finland, CSOs are subject to additional reporting requirements when conducting fundraising activities. In Italy, regardless of the annual economic and financial statement, any association and foundation which organises a fundraising activity shall draw up a separate and specific statement regarding all revenues and costs, within four months from the end of the financial year. In Finland, associations and foundations shall obtain a permit to conduct a money collection. Permit holders are then obliged to report that the funds raised were used for the purpose specified in the money collection permit. If the permit holder has an auditor, an audit report must be appended to the account. Similar special reporting requirements may be also imposed on CSOs receiving state funding.

5. Conclusions and policy recommendations

Based on the comparative examples described above, we can make following conclusions:

- **All countries** covered in the comparative analysis introduced some form of financial reporting requirements for CSOs.
- Most basic form of financial reporting that applies to all CSOs in all of the countries arises from the accounting/booking obligation. The scope of the accounting and bookkeeping requirements differ and, in all countries, it is scaled based on the size of a CSO or type of income.
- In 3 countries, the size of a CSO for accounting/bookkeeping purposes is determined by the annual turnover and/or number of employees. In the remaining countries, the accounting/bookkeeping differ for CSOs with and without economic activities. Small sized CSOs and CSOs without economic activities are required to keep only simplified accounts.
- Simplified accounts typically consist of cash flow statements or other simplified financial statements showcasing transactions of a CSO within the financial year.
- In the reviewed countries only large CSOs are subject to audit requirements. The size of a CSO is determined based on similar conditions as for accounting obligations, however, the thresholds are, in most cases, significantly higher. This is to avoid imposing burdensome reporting requirements on smaller CSOs with low turnovers and/or having only a few or no employees.
- CSOs are subject to different tax reporting requirements based on the types of activities they engage in, source of their income and other property and income related criteria. In 3 out of 5 countries, CSOs have to file tax returns.

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only if they had taxable income in the given financial year. In the remaining 2 countries, all CSOs have to file tax returns.

- In most of the countries, if a CSO is not exempt from the obligation to file a tax return, it has to use the same reporting form as a for-profit company. As a good practice, in Finland, **CSOs have their own specific tax return form that is tailored to the types of activities and income** that CSOs typically have.

- CSOs may be subject to **other tax reporting obligations**, including VAT reporting, depending on the type of income they have.

- As opposed to Kosovo, CSOs in all countries covered do not have any specific AML financial reporting obligations nor they are obliged entities under AML legislation.

- CSOs may be subjected to other financial reporting obligations, for example, **based on the type of funds they raise**. In some of the countries, additional reporting obligations were introduced for CSOs organizing money collections or receiving public funding.

Based on the conclusions of the report we recommend to implement the following solutions in order to improve the financial reporting requirements in Kosovo:

- **Amend the AML law to exclude CSOs from the scope of obliged entities** and remove the financial reporting requirements included therein. None of the countries covered in this analysis provides any similar financial reporting and other AML related obligations for their CSOs.

- In order to address the need for transparency in CSO’s income and expenditures, initiate a broader discussion on **amending the Accounting law to create basic financial reporting framework for all CSOs**. The law already includes a scaling system for business organizations that can be adapted to the CSO context and provide different accounting obligations for CSOs based on their size or type of activities to follow the principle of equality.

- Audits should be, in accordance with the principles of necessity and proportionality, required only from large CSOs in order not to create overly burdensome conditions for small CSOs.

- Based on the comparative practices, it is a good practice to require filing of **tax returns only from CSOs with taxable income**. It is recommended as a good practice to create a **dedicated tax reporting format for CSOs** that reflects on the type of income and expenditures that CSOs typically have.

- If there is a need for further transparency in CSO finances, it is recommended to always determine new financial obligations based on the principle of legality, necessity and proportionality and they should always pursue a legitimate aim.