



# TAX REGULATIONS

## Amendments to existing tax legislation

We would like to inform you that on 29th of May 2013 National Assembly of Republic of Serbia has adopted series of Laws which made amendments to existing tax legislation and those Law are following:

- Law on Amendments to the Law on Personal Income Tax
- Law on Amendments to the Law on Compulsory Social Insurance
- Law on Amendments to the Law on Property Taxes
- Law on Amendments to the Corporate Tax Law
- Law on Amendments to the Law on Excise
- Law on Amendments to the Law on Tax Procedure and Tax Administration

All regulations listed above were published on 29th of May 2013 in Official Gazette of Republic of Serbia No. 47/2013 and all of them came into force on 30th of May 2013. However, we would like to point out that inception date of the application of some provisions within the same Law is different, that is, the application of some provisions is postponed until the year of 2014 and there are legal time limits for adoption of sub normative acts needed for inception of application of certain provisions.

### Newsletter content:

1. Law on Amendments to the Law on Personal Income Tax
2. Law on Amendments to the Law on Compulsory Social Insurance
3. Law on Amendments to the Law on Property Taxes
4. Law on Amendments to the Corporate Tax Law
5. Law on Amendments to the Law on Excise
6. Law on Amendments to the Law on Tax Procedure and Tax Administration

### News from our website:

- [V&P Privatization advisor](#)
- [Expanding Debt Collection Department](#)
- [Affiliation](#)

## Law on Amendments to the Law on Personal Income Tax

Regarding **Law on Personal Income Tax** a number of changes have been made and we would like to point out the most important ones:

- Refinement of the concept and method of determining the tax resident has been made and the possibility for natural person to be considered as resident of Republic of Serbia only during one part of the year has been introduced.
- For certain types of income the determination and payment of taxes by tax self-assessment has been provided. Tax self-assessment will be applicable from 1st of January 2014 except for entrepreneur who opt to pay out their own salaries in which case tax self-assessment could be applicable from 1st of July 2013.
- The provision related to incomes that are exempt from taxation, that is, the ones that are not under taxation, has been amended.
- The concept of earnings was specified, that is, which incomes are to be considered earnings. Earnings tax rate was reduced from 12% to 10%. In addition, there has been the increase of tax-free amount of earnings which is now RSD 11.000,00 instead of previous RSD 8.776,00 per month for person who works fulltime. Tax-free has been provided in the total amount of RSD 5.214,00 per month for premium for voluntary health insurance which the employer withholds and pays from the employee-insured's salary who is involved in voluntary health insurance in the country and pension contributions to voluntary pension fund which the employer withholds and pays the employee's salary when the employee is voluntary pension fund user.
- Regarding self-employment it has been provided that for entrepreneur who keeps business books personal income is recognized and paid as an expense. Entrepreneur can opt to pay personal income from 1st of July 2013.
- The scope of activity in relation to which right to composition taxation may be granted has been narrowed down, so that from 1st of January 2014 the right for compositional taxation could not be granted for entrepreneur who carries on business of accounting, bookkeeping and auditing, tax consulting business, advertising and market research. The limit for entitlement to compositional taxation in terms of total sales in the last year has been increased from the previous limit of 3,000,000.00 RSD to 6,000,000.00 RSD and this provision shall apply from the date of entry into force of the Law.
- Income generated by renting of real estate is considered income from capital. Tax on income from renting of real estate is taxed at the rate of 20%, but with the recognition of standardized costs at the rate of 25% and the effective tax rate is at the rate of 15%.

- Refinement of the income which is considered a capital gain has been made, as well as refinement of the methods of determining the purchase price for the purpose of determining the capital gain.
- Deadline for filing a tax return for an annual personal income tax has been changed in the way that the tax return will be filled until 15th of the May next year for the previous year and not until 15th of March as it was previously provided.

## Law on Amendments to the Law on Compulsory Social Insurance

Regarding Law on Amendments to the **Law on Compulsory Social Insurance** among others the following changes have been made:

- Refinement of the base for contributions for employees and employers has been made.
- Rate of contribution for compulsory pension and disability insurance has been increased from 22% to 24% as well as rate of contribution for compulsory pension and disability insurance – 13% for employees, elected, named and appointed persons who make subtraction of earnings, persons performing temporary and occasional work under the contract signed directly with the employer or through a cooperative, other than a person under 26 years of age if they are still educating at school, persons receiving earnings compensation under the law governing financial support for families with children, persons receiving earnings compensation under the law governing the compulsory health insurance.
- Entrepreneur or agriculturist who has personal earnings is obliged to calculate and pay contributions paid on earnings in the same way as it is provided for taxes which are determined by self-taxation in accordance with Law on Amendments to the Law on Personal Income Tax
- Contributions base for entrepreneur or agriculturist who opts to pay personal earnings beginning from 1st of July 2013 is that exact personal earning.

## Law on Amendments to the Law on Property Taxes

Regarding Law on Amendments to the **Law on Property Taxes** as the most important changes we point out the following ones:

- Regarding property taxes refinement of what is considered the object of taxation has been made and in accordance to that the term of taxpayer has also been made, as well as moment of formation of tax liabilities, filing tax return, method of determination and paying taxes and provisions that regulate tax exemptions have also been amended. In particular, we point out that the deadlines for filing tax returns have been revised by this Law.
- Regarding inheritance and gift taxes refinement has been made precisely extension of the object of taxation, increasing the amount of tax-exempt heritage up to RSD 100,000.00 instead of the previous RSD 30,000.00 and extension of tax exemption has been made. In particular, we point out that deadline for filing tax returns extended to 30 days instead of the previous limit of 10 days.
- Regarding tax on transfer of absolute rights changes that have been made are those considering the object of taxation and tax exemption, as well as tax liberation. In particular, we point out that deadline for filing tax returns extended to 30 days instead of the previous limit of 10 days.

## Law on Amendments to the Corporate Tax Law

Regarding Law on Amendments to the **Corporate Tax Law** series of changes have been made and we would like to highlight the most important ones:

- The definition of taxpayer has been refined.
- Changes regarding the term of capital gain have been made both in terms of resident and non-resident taxpayers.
- Provisions concerning withholding tax which is paid by non-resident taxpayer by the rate of 20% have been refined.
- Withholding tax by rate of 1% has been introduced for incomes acquired by the purchase of raw materials and waste from residents or non-residents.
- Provisions concerning recognized tax expenses have been changed so that they (for expenditures on health, education, scientific, humanitarian, religious, protection of the environment and sporting purposes as well as benefits given to social welfare institutions established in accordance with the law governing social protection and expenditure in culture) have been recognized as expense in the maximum amount of 5,00% of the total income instead of the previous 3.5%.
- Conditions for the use of tax incentive from Article 50a of the Law have been changed so that the condition for gaining the right on tax incentive is among others the condition that taxpayer has to hire on a permanent basis at least 100 people instead of the previous requirement that the taxpayer has to hire on a permanent basis at least 200 people.
- Provision regarding conditions for gaining the right for tax credit for investment in fixed assets has been changed so it is provided that tax credit could be recognized for investment in development as intangible assets as well.

## Law on Amendments to the Law on Excise

Regarding Law on Amendments to the **Law on Excise** we would like to highlight the most important changes:

- Expansion of the object of excise taxation has been made, that is, taxation by excise of bio-fuels and bio-liquids has been introduced and with that the right to reimbursement of excise on bio-fuels and bio-liquids has been expanded. Customs authorities in charge calculate excise on fuels that were imported until 30th of May and upon which customs procedures were not finished in accordance with Law amendments.
- The term of authorized distributor of petroleum products, bio-fuels and bio-liquids has been made so that authorized distributor is considered an entity which is registered at Energy Agency of Republic of Serbia and performs a wholesale activities or retail sales of petroleum products, bio-fuels and bio-liquids in accordance with regulations which provide petroleum products and bio-fuels turnover.
- Obligation of inventory of the bio-fuels that legal entity / entrepreneur has in stocks until 30th of May 2013 has been established as well as the obligation of delivering inventory lists to organizational unit of the Tax Administration in charge until 10th of June 2013 the latest.

## Law on Amendments to the Law on Tax Procedure and Tax Administration

Regarding Law on Amendments to the **Law on Tax Procedure and Tax Administration** we would like to highlight the following changes as the most important ones:

- Provisions on delivery have been changed so it is provided that if delivery of tax acts is being submitted to post office, tax act is considered as delivered upon expiration of 15 days from the day of submission of tax acts to post office.
- It has been provided that acts (explanations, opinions, instructions etc.) on the application of regulations given by the minister in charge of financial business are obligatory for Tax Administration treatment and it has been provided that they need to be published on websites of ministry in charge for financial and Tax Administration business.
- It has been provided that authority in charge for registration in the official register of entities which perform certain activity cannot remove entity from that register without evidence of termination of tax liability which is issued by tax authority in charge and it cannot be elder that five days in the moment of submission of the request for removal from certain register.
- Number of persons who can sign tax return (taxpayer, tax proxy or any other person who was authorized by taxpayer for filing tax return, legal representative and representative ex officio) has been expanded.

- Changes regarding filing individual tax return for taxes payable after deduction are being made, and among other things it has been provided that summary tax return can only be filed electronically starting from 1st of January 2014 and before every income payment upon which withholding tax is being calculated and paid, as well as before payment of contribution for mandatory social insurance when it is paid without payment of earnings.
- Term of informational tax return has been changed.
- Provisions regarding calculation of interest have been changed and refined and among other things it is strictly provided that it is not allowed to calculate and pay interest on interest.
- Provisions regarding statute of limitation have also been changed so it is provided that provisions concerning statute of limitation of the rights to assessment, collection and recovery are being applied to all public revenues for which statute of limitation is provided in other tax law in a different way.
- Provisions regarding the way of proving the status of a resident of the state with which the agreement on the avoidance of double taxation is concluded have been changed and in accordance to adopted changes status of a resident of the country with which the agreement on the avoidance of double taxation is concluded non-resident can prove with certified translation of the certificate in the form which is provided by authority of the state with which the agreement on the avoidance of double taxation is concluded.
- Amendments of provisions which regulate tax violations have been made and those provisions were harmonized with the other amendments of the Law and fines were changed also and violation of a legal entity or natural person who fails to file an information tax return has been provided.