

Set of amendments to tax regulations sent to the Serbian Parliament for discussion



On 28 November 2013 the Serbian Government adopted proposed amendments to a set of tax laws and sent them for discussion to the Serbian Parliament.

It is expected that the proposed set of amendments to tax laws will be discussed at the parliamentary session scheduled for 3 December, to include:

- The Law on Amendments to the Law on Value Added Tax
- The Law on Amendments to the Corporate Income Tax Law
- The Law on Amendments to the Personal Income Tax Law
- The Law on Amendments to the Law on Mandatory Social Insurance Contributions
- The Law on Amendments to the Law on Tax Procedure and Tax Administration

The principal amendments are as follows:

Law on Amendments to the Law on Value Added Tax

The proposed amendment relates to an increase in the reduced VAT rate from 8% to 10% starting as of 1 January 2014, while personal computers and PC components are to be taxed at a general rate of 20%.

Amendments also stipulate harmonisation of the definition of persons - farmers entitled to flat-rate compensation with the provisions of the Personal Income Tax Law, given that personal income tax on cadastral income has been discontinued in the amendments to the Personal Income Tax Law in May of this year. Consequently, the proposed amendment is that the entitlement to flat-rate compensation, instead of being granted to cadastral income taxpayers, should be granted to owners, leaseholders and other beneficiaries of agricultural and forest land.

Law on Amendments to the Corporate Income Tax Law

The proposed amendment relates to discontinuation of the tax credit for investments in fixed assets, as provided for by article 48 of the Corporate Income Tax Law, starting as of 1 January 2014. Anyone who had attained the right to a tax credit in 2013 or earlier will exercise such right in accordance with the provisions of the previously effective law.

Law on Amendments to the Personal Income Tax Law

The proposed amendment relates to the salary tax base for private persons-residents of the Republic of Serbia assigned to work abroad for legal entities-residents of Serbia, which should comprise only the salary amount paid for work performed, which means that subsequent costs should not be included in the calculation of the salary tax base. This rule would be applied starting on the day following the date of publication of the law in the Official Gazette of the Republic of Serbia.

The amendments also relate to the possibility for entrepreneurs to opt for payment of own personal income by notifying the tax authorities about this by 15 December in the current year for the following year. The choice of option cannot be changed during the tax (calendar) year. Exceptionally, for 2014 notification can be sent up to 31 January 2014.

As relates to taxation of games of chance, amendments stipulate elimination of definition that an individual prize is deemed to be the total prize for all combinations in a game of chance which have more than one combination. Besides this, classic games of chance are excluded from the rule that the taxable amount, which is above 11,000 dinars, should be decreased for the amount of payment made, based on which the individual prize was won. The new rules would be applied starting on the day following the date of publication of the law in the Official Gazette of the Republic of Serbia.

Starting as of 1 January 2014 the taxable income realized by a private person (excluding the holder of an agricultural household, a person who pays contributions for mandatory social insurance based on a tax assessment and the beneficiary of a farmer's pension) from the sale of agricultural and forest products, as well as fruits and medicinal herbs, will consist of income reduced for adjusted expenses in the amount of 90%.

Starting as of 1 January 2014 a bank is required to calculate and pay withholding tax at the moment of interest payment, including accumulated interest,



where in the event that on the date of interest payment, including accumulated interest, payment operations are not carried out, then tax is paid at the latest by the next day when payment operations are functioning.

Law on Amendments to the Law on Mandatory Social Insurance Contributions

The amendment to the law specifies the method and deadlines for calculation and payment of social insurance contributions for entrepreneurs, agricultural workers and founders and members of legal entities. Besides this, the possibility is provided for founders and members of legal entities to make payments using a base whose amount is greater than the lowest monthly base for contributions.

Also, the amendments provide for the specification of a base for calculation of contributions for an employee working part time with two or more employers.

The amendments should go into effect on the day following the date of publication of the law in the Official Gazette of the Republic of Serbia.

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

The proposed amendment relates to calculation of the tax liability for property tax for the calendar years which follow the year in which the tax liability occurred in accordance with the law that regulates property tax which is effective on 1 January of the calendar years for which the tax liability is being calculated, except if the constitution and the law provide for retrospective application of particular provisions of the law.

The tax authority will be charged with control of whether net income of employees in the public sector is decreased in accordance with the law that regulates the decrease of net income in the public sector.



With a view to applying the system of unified tax collection starting as of 1 January 2014 (filing of the individual tax return in the system of unified withholding tax liability payment, which includes discontinuation of existing aggregated tax returns – PP OPJ and PP OD tax forms, and filing of individual tax returns electronically, prior to payment of income) it is stipulated that a bank shall not permit salary payment, payment of salary compensation, nor any other personal income payment for which personal income tax is paid using the withholding mechanism, if the payment order for withholding tax and income payment does not contain the appropriate reference number linked to the consent granted for such payment by the tax authority. Exceptionally, the bank as the payer of interest income can effect interest payment, including accumulated interest on savings deposits to its depositors, without indicating the reference number of the consent granted for such payment by the tax authority.

In the event that withholding tax has been paid prior to 31 December 2013, but the tax return has not been filed, then an aggregated tax return shall be filed. In the event that income has been paid out in 2013, without payment of taxes and contributions, an individual tax return shall be filed.

The amendments should go into effect on the day following the date of publication of the law in the Official Gazette of the Republic of Serbia, except for the provisions relating to the system of unified tax collection which are to be applied as of 1 January 2014.

The Information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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