

Dear Madam/Sir,

The Ministry of Finance of the Republic of Serbia ("MF") has adopted the Rulebook on "arm's length" interest rates ("the Rulebook"). The Rulebook contains the prescribed interest rates applicable to related party financing.

The Rulebook was published in the Official Gazette of the Republic of Serbia No 23/2015 dated 2 March 2015. The Rulebook is effective as of 10 March 2015. The Rulebook is applicable to taxpayers who had related party financing during 2014.

Impact of the Rulebook to transfer pricing documentation for 2014

According to the provisions of Articles 59, 60 and 61 of the Corporate Income Tax Law ("the CIT Law"), taxpayers can either use the market interest rates as prescribed by the MF or opt to apply other methods for assessment of arm's length interest as prescribed by the CIT Law. Elected option needs to be consistently apply to all loans to/from related parties.

Prescribed interest rates apply to interest income/expense recognized during 2014 regardless of the period from which loan(s) originate.

For banks and finance leasing companies, unlike other companies, a single interest rate for both short and long term borrowings/placements is prescribed.

Overview of market interest rates as prescribed by the MF the loan are presented below:

Market interest rates as prescribed by the Rulebook						
Taxpayer	RSD loans	EUR loans and RSD loans denominated in EUR	USD loans and RSD loans denominated in USD	CHF loans and RSD loans denominated in CHF	SEK loans and RSD loans denominated in SEK	RUB loans and RSD loans denominated in RUB
Banks and Financial Leasing Companies	7.14%	4.39%	3.12%	5.86%	4.42%	13%
Other Companies (short term loans)	13.82%	6.57%	5.28%	8.49%		
Other Companies (long term loans)	11.12%	5.79%	5.74%	7.07%		

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We remain at your disposal for any additional information you may require.

Kind regards,

KPMG Tax & Legal Department / KPMG Poresko-pravno odeljenje

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