



# Serbian Tax Card 2016

KPMG d.o.o. Beograd

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# CORPORATE INCOME TAX

A resident is a legal entity which is incorporated or has a place of effective management and control on the territory of Serbia. Resident legal entities are liable to pay tax on their worldwide income and non-resident entities, on income derived from Serbian sources.

Generally, the tax year is the calendar year, but it does not have to coincide with the calendar year. A tax return should be filed with the tax authorities within 180 days after expiry of the tax year.

During the year the taxpayer should pay monthly advance payments that are based on the tax liability assessed for the previous year. Newly established companies pay monthly advance payments on the basis of profit estimation for the current year. Monthly advance payments are due on the 15th day of the month for the then previous month.

Taxable income is established on the basis of accounting profit disclosed in the annual income statement in accordance with the Law on Accounting which does not differ significantly from IFRS standards (main differences relate to disclosure requirements), further adjusted in the tax balance. The tax rate is flat and amounts to 15%.

## Corporate income tax incentives

10 year tax credit for company which invests into own assets or in which other entity invests more than RSD 1 billion (app. EUR 8.1 million) and employs additional 100 workers, proportionally to the investment

Carry forward of losses is available for 5 years. Carry back of losses is not allowed.

Capital gains are separately taxed at the rate of 15%. Capital losses could be carried forward on the account of capital gains for 5 years.

Payment of intercompany dividends between Serbian resident companies is tax exempt.

# WITHHOLDING TAX (WHT)

Withholding tax at the rate of 20% applies to dividends, royalties, interest, lease payments for real estate and other assets on the territory of Serbia, service fees for services rendered or consumed in Serbia, paid by Serbian tax resident to a non-resident. In addition, withholding tax is payable on income of non-resident from staging entertainment, artistic,

sport or similar programs, which is not taxed as income of individuals (e.g. performers, musicians, athletes).

Withholding tax at the rate of 25% applies on royalties, interest, rental income and service fees (irrespective of the place where they are provided or used) paid by resident to a non-resident from a jurisdiction with a preferential tax system, as well as to a permanent establishment of a non-resident entity from a jurisdiction with a preferential tax system.

A non-resident entity from a jurisdiction with a preferential tax system is deemed to be an entity that is established or has a registered office, administrative headquarter, or place of effective management on the territory of a jurisdiction with a preferential tax system. The Ministry of Finance publishes the list of jurisdictions with a preferential tax system.

Capital gains realized by a non-resident entity on the territory of Serbia from a resident legal entity, a non-resident legal entity, a non-resident or resident private individual or an open investment fund are subject to capital gains tax at the rate of 20%. Capital gains tax is payable on the basis of the tax authorities' assessment.

Withholding tax at the rate of 1% is also levied on payments made to residents and non-residents for secondary raw materials and wastes.

Withholding tax may be reduced by double taxation treaties. As at 1 January 2016 Serbia has 54 effective double taxation treaties on income and capital.

## VALUE ADDED TAX (VAT)

Serbian VAT law applies the destination principle to cross-border transactions.

The taxpayer is any person who independently carries out supplies of goods and services in the course of its economic activity.

VAT registration threshold amounts to RSD 8 million. A person whose turnover in the previous 12 months exceeds RSD 8 million is obliged to register for VAT. Turnover should be understood as supplies of goods and services, except for equipment and buildings for performing a business activity, that are subject to VAT in Serbia (taxable and zero rated supplies).

Any person whose turnover in the previous 12 months does not exceed RSD 8 million may opt to be registered for VAT.

A foreign entity performing supplies in Serbia is obliged to register for VAT via appointed tax representative.

It is not possible for group companies to register as a single VAT entity (tax grouping).

VAT rates	
Standard rate	20%
Reduced rate	10% applies on supplies of basic foodstuffs, 'listed' drugs, daily newspapers, hotel services, gas, first transfer of ownership on residential buildings, etc.
Zero rate	Export of goods; transportation and other services in direct relation to export, transit or temporary import of goods; entry of goods in free zones and transportation and other services in relation to the entry of goods into the free zone; supplies within the free zone; services performed on movables obtained by a foreign user of the service in Serbia or imported for the purpose of inward processing, repairing or incorporating and then exporting, etc.

Tax exemption without credit is provided for the following supplies: financial, banking and insurance services, supplies of land, as well as renting of land, operations involving securities, shares, postal orders and stamps at their face value in Serbia; the supply of buildings, except first transfer of buildings; public interest activities (e.g. medical services, social, child and youth welfare services), etc.

Tax period	
Calendar month	<p>For taxpayers whose turnover in the previous 12 months exceeds RSD 50 million</p> <p>For taxpayers who start up business operations – tax period is the calendar month in the first year of operations and the year that follows</p>
Calendar quarter	For taxpayers whose turnover is lower than RSD 50 million

VAT returns have to be filed with the Tax Authorities and VAT liability declared in VAT return should be paid within 15 days after expiry of the tax period.

Import VAT is payable according to terms prescribed for the payment of customs duties.

VAT refund	
General refund period	45 days from the deadline for submitting the tax return
Refund period for exporting companies (companies whose value of exports of goods exceeds 50% of the total value of their turnover or if the value of exports of goods exceeds EUR 10 million)	15 days from the deadline for submitting the tax returns

## PERSONAL INCOME TAX

Residents of Serbia are subject to personal income tax on their worldwide income. Non-residents are subject to income tax on their income from Serbian sources under the same rules as residents.

Personal income tax is levied on each type of income separately at flat rates (10%, 15% or 20%), depending on the type of taxable income (employment income, income from capital, capital gains, etc.).

Salary tax rate amounts to 10%.

Salary tax should be calculated, paid and withheld by employer.

In addition, a resident individual (for worldwide income) or a non-resident individual (only for income from Serbian sources) whose income in a calendar year exceeds a certain threshold prescribed by the Law pays annual tax. Taxable amount is net income that exceeds the threshold, decreased for certain deductions. Tax rate for annual income tax is progressive and amounts to 10% or 15%, depending on generated income.

## MANDATORY SOCIAL SECURITY CONTRIBUTIONS

The mandatory social security insurance includes: pension and disability insurance, health insurance and unemployment insurance.

The base for mandatory social security contributions is gross income (net, personal income tax and social security contributions on behalf of an individual) generated by the insured individual such as: income from employment, income from freelance agreements, etc.

The legislation provides a maximum base for mandatory social security contributions as a five time average salary in Serbia. If income generated

by the insured individual exceeds the maximum base, mandatory social security contributions would be paid on the maximum base. The surplus amount is subject only to personal income tax.

In case of employment income, mandatory social security contributions are payable on behalf of employee and on behalf of employer. They should be calculated and withheld by the employer.

Mandatory social security contributions	On behalf of an employee	On behalf of an employer
Pension insurance	14%	12%
Health insurance	5.15%	5.15%
Unemployment insurance	0.75%	0.75%

## CUSTOMS DUTIES

The Law on Customs Tariffs and the Customs Law regulate the customs system in Serbia.

Export is liberalized for the majority of goods, except for arms, drugs, etc. Import of goods is free, but certain goods are subject to approvals, restrictions, sanitary and phytosanitary controls, etc.

The Customs Law provides 8 customs procedures: release for free circulation, transit, customs warehousing, inward processing, processing under customs control, temporary importation, outward processing and exportation. For all these procedures, except for release for free circulation, transit and exportation, customs authorization is required and in some situations an evaluation of their economic impact may be required also.

The customs tariff is based on the internationally harmonized system of names and codes of goods, as well as the tariff codes of the EU. Customs rates range between 0 percent and 30 percent.

## EXCISE DUTIES

Excise duties are levied on the production and import of: oil derivatives (leaded and unleaded petrol, kerosene, gas oil, LPG, additives and extenders, other oil derivatives that come from oil fractions with a distillation range of up to 380 °C); bio fuel, electricity for final consumption, tobacco products; alcoholic drinks and coffee.

The excise duty taxpayer is the producer and importer of excisable products.

Deferral of excise duty liability is possible by exercising the right to hold an excise warehouse. The Ministry of Finance issues excise permits for keeping an excise warehouse.

The taxpayer is obliged to pay excise duties every fortnight. Excise duties calculated on the import are payable according to terms prescribed for the payment of customs duties. Tax returns should be filed with the Tax Authorities quarterly.

Excise duty is not payable on excise goods exported by their producer and in few other cases.

## TRANSFER TAX

Transfer tax at a rate of 2.5% is payable on transfer of immovables which are not subject to VAT, used cars that are not subject to VAT, etc.

## LOCAL TAXES

The tax on property is paid by the titular of property rights (ownership, right of use, etc.). Maximum rate provided by the Law amounts to 0.4% (exact rates are determined by the local municipality).

Signboard tax is levied by the local municipality and determined based on the city zone and the size of the company.

## DOUBLE TAX TREATY NETWORK

Treaties with the following countries are in force as of 1 January 2016:

Albania	Germany	Norway
Austria	Greece	Pakistan
Azerbaijan	Hungary	Poland
Belarus	India	Qatar
Belgium	Iran	Romania
Bosnia and Herzegovina	Ireland	Russia
Bulgaria	Italy	Slovakia
Canada	Kuwait	Slovenia
China	Latvia	Spain
Croatia	Libya	Sri Lanka
Cyprus	Lithuania	Sweden
Czech Republic	Macedonia	Switzerland
Denmark	Malaysia	Tunisia
Egypt	Malta	Turkey
Estonia	Moldova	Ukraine
Finland	Montenegro	United Arab Emirates
France	Netherlands	United Kingdom
Georgia	North Korea	Vietnam

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