

Changes in the Tax Balance Form

Tax Alert

January 2017



The Ministry of Finance issued the Rulebook on Amendments and Changes of the Rulebook on the Contents of the Tax Balance and Other Issues Relevant for the Assessment of Corporate Income Tax (the Rulebook on the Tax Balance), as published in the Official Gazette of the Republic of Serbia No. 101/2016 on 16 December 2016. The Rulebook on the Tax Balance enters into force on 1 January 2017 and will be applied in preparing the 2016 tax return.

The Rulebook on the Tax Balance introduces new items in the tax balance (Form PB-1) in accordance with the latest changes and amendments of the Corporate Income Tax Law from 2015 (published in the Official Gazette of the Republic of Serbia No. 112/2015) which are applicable as of 1 January 2016:

- Employee income related to Article 9, paragraph 2 of the CIT Law, accrued but unpaid in the tax period for which the tax return is filed (line 16 of the Form PB-1);
- Employee income related to Article 9, paragraph 2 of the CIT Law, accrued in the previous tax period and paid in the tax period for which the tax balance is submitted (line 18 of the Form PB-1);
- Allowances for receivables which were tax non-deductible expenses in the period in which were accrued, but considered as tax deductible in a later period in accordance with Article 16, paragraph 11 of the CIT Law (line 28 of the Form PB-1);
- All written off receivables and other receivables which were considered as tax deductible expense, and which should be included in income in the period in which conditions for expenses deductibility prescribed by Article 16 of the CIT Law cease to exist (line 41 of the Form PB-1).

In addition, the Rulebook on the Tax Balance abolishes the previous line 30 of the Form PB-1 - Increase of allowance for

receivables of insurance company above the amount set by the National Bank of Serbia.

Taxpayers are required to submit a tax balance on Form PB-1 prescribed by the Rulebook on the Tax Balance as of 1 January 2017.

In addition, there are only two cases under which the taxpayers should submit the tax balance on the old form PB-1 (valid until 31 December 2016) after 31 December 2016 in the case of submission:

- amended tax return for the tax return submitted by 31 December 2016; and
- tax return that the taxpayer failed to submit until 31 December 2016.

Treatment of Accrued Bonuses

Furthermore, we note that on 29 September 2016 the Ministry of Finance of the Republic of Serbia (hereinafter: the Ministry) issued opinion no. 011-00-177/2016-04 (hereinafter: Opinion) related to the treatment of accrued but unpaid bonuses in the tax balance.

Namely, amendments of Article 9 of the Corporate Income Tax Law which went into effect on 1 January 2016 and which relate to the added paragraph 2, raise the issue of interpretation of bonuses accrued in the tax period and paid in the following year.

According to the Opinion, expenses reported by a taxpayer in his books according to accounting regulations and IAS 19 Employee Benefits that relate to bonuses, based on the employee's contribution to an employer's operating success, including related taxes and contributions for mandatory social insurance, are tax deductible in the tax balance in accordance with Article 9 paragraph 1 of the Corporate Income Tax Law.

Based on the aforementioned, accrued but unpaid bonuses are tax deductible expense in the taxpayer's tax balance.

How this could affect your business

In preparing your tax balance for 2016 you must keep in mind the amendments to the Corporate Income Tax Law from the end of 2015 which are applicable as of 1 January 2016 and which are implemented in tax return forms by the latest amendments to the Rulebook on the Tax Balance.

KPMG is ready to provide all support you may require in respect of the mentioned amendments.

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