

Rulebooks related to the application of the Value Added Tax Law relevant to determining the place of supply of services have been adopted

Tax Alert

March 2017



New rulebooks related to the application of the Value Added Tax Law (hereinafter: the Law) relevant to determining the place of supply of services as well as amendments to the Rulebook on the Method and Procedure for Obtaining Tax Exemptions for VAT With Right to Deduct Input Tax were published in the Official Gazette of the Republic of Serbia no. 21/2017 dated 10 March 2017.

The rulebooks are effective as of 1 April 2017.

Real-estate related services

The Rulebook on Determining Real-Estate Related Services for the Purpose of Determining the Place of Supply, in terms of the Value Added Tax Law, specifies that real-estate related services are deemed to be services that are:

1. provided using real-estate property in such a way that the real-estate property is key and indispensable to providing the service, or
2. provided for real-estate property or are directed at the real-estate property, and their objective is a change that involves the real-estate property.

The Rulebook specifies an indicative list of services that are considered to be real-estate related services, as well as services that are not considered to be real-estate related services.

Generally, the scope of real-estate related services is expanded, e.g. legal services of preparing appropriate documentation - notarized documents, contracts, etc., which regulate the transfer of the right of disposal of real-estate property, renting of real-estate property, establishing or transferring certain benefits from real-estate property or substantive rights over real-estate property (tangible or intangible), including construction, regardless of realization of a legal transaction are considered real-estate related services.

Also, certain services that according to provisions of the Law that are effective until 31 March 2017 and that in practice were treated as real-estate related services, according the new rules shall no longer be considered real-estate related services, e.g.: advertising performed through the use of real-estate property (billboards, roofs or walls of buildings, etc.), agent's services for accommodation in hotels, motels, camps and in other accommodation facilities, etc.

Leasing of transportation vehicles

The Rulebook on Determining Transportation Vehicles for the Purpose of Establishing the Place of Supply of the Service of Leasing Such Vehicles, in terms of the Value Added Tax Law, specifies that transportation vehicles for the purpose of establishing the place of supply of service are considered to be road vehicles, trailers and semi-trailers, railway cars, watercraft, aircraft, tractors and tilling equipment, as well as disabled chairs.

The Rulebook expressly states that transportation vehicles are not considered to be vehicles that are not intended for the transport of persons and goods (towing vehicles, tug boats, excavators, etc.), containers, pallets, etc.

Services of provision of food and beverages for consumption on the spot

The Rulebook on Determining Services of Provision of Food and Beverages for Consumption on the Spot for the Purpose of Establishing the Place of Supply of Service, in terms of the Value Added Tax Law, specifies that for the purpose of establishing the place of supply of the service of provision of food and beverages for consumption on the spot is considered to be the provision of food and/or beverages for human consumption, exclusively if there are additional services (servicing, catering, etc.) that permit for their immediate consumption, irrespective of where the consumption occurs.

Amendments to the Rulebook on the Method and Procedure for Obtaining Tax Exemptions for VAT with Right to Deduct Input Tax

Amendments to the Rulebook were made for the purpose of harmonization with the new rules on the place of supply of services.

KPMG support

The adopted rulebooks largely define a different VAT treatment of services than the one effective until 31 March 2017.

In view of the amendments to the rules on the place of supply of service which are adopted by the amendments to the Law, as well as by the newly adopted rulebooks, the conclusion is that these amendments will affect all companies that do business with foreign countries. Accordingly, it is necessary to do an analysis of services that are provided to or received from abroad, to determine their VAT treatment, implications for expenses and cash flows, and to harmonize business processes with the new rules.

KPMG can provide support to you in this process, as well as in respect of all other issues related to the application of the new VAT rules.

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