

Amendments to the VAT Law adopted

Tax Alert

October 2019

At the session held on 7 October 2019 the Serbian Parliament adopted the Law on Amendments to the VAT Law (hereafter: **Law**). The Law is published in the Official Gazette of the Republic of Serbia no. 72/2019 dated 7 October 2019. The Law comes into force on 15 October 2019.

The adopted amendments will apply as of 1 January 2020, with exception of certain provisions of the Law that will be applicable in 2019 (these provisions are specially marked below).

An overview of significant amendments is provided below.

The concept and VAT treatment of the transfer of „vouchers “

The Law introduces the concept of a voucher and defines different VAT treatment of single-purpose and multi-purpose vouchers.

A voucher is defined as an instrument for which there is an obligation to be accepted as a fee or part of the fee for the goods / services provided, under condition that the following is stated on the voucher or related document:

- type of goods / services provided;
- identity of the supplier of the goods/services;
- terms of use of the voucher.

If 1) the place of delivery of goods/place of supply of services to which the voucher relates and 2) the amount of VAT that should be calculated and paid for supply of goods/services is known at the time of issuance of the voucher, the respective voucher is considered a single-purpose voucher.

The taxpayer who makes the transfer of a single-purpose voucher in its own name is obliged to calculate VAT at the moment of transfer of voucher, and not at the moment of supply of goods/services to which the voucher relates.

A multi-purpose voucher is defined as a voucher that is not a single-purpose voucher and transfer of a multi-purpose voucher by a taxpayer in its own name is not subject to VAT.

If the transfer of the multi-purpose voucher is made by a taxpayer who does not perform supply of goods or services, it is considered that the taxpayer provides advertising, distribution, or other services.

Provisions related to the obligation of a foreign entity to register for VAT in Serbia are given in more detail

It is specified that the obligation of a foreign entity to appoint a tax proxy and register for VAT in Serbia also exists in the case when the foreign entity provides supply of goods or services for which VAT exemption with the right to input VAT deduction is prescribed.

Amendments of the rules for place of supply of goods and services

The rules for place of supply of goods and services are amended as follows:

- if the goods are supplied on a boat or in an aircraft or train during the transport of passengers, the place of supply of goods will be considered the place of the departure of the respective transport (in case the transport of passengers is performed in both directions, the return journey is considered as separate supply);
- if services of provision of meals and beverage on-site are provided on a boat or in an aircraft or train during the transport of passenger, the place of supply of respective services will be considered the place of departure of the boat, aircraft or train (in case the transport of passengers is performed in both directions, the return journey is considered as separate supply);
- for telecommunication services, radio and television broadcasting services supplied electronically, the competent minister is empowered to define, in a special rulebook, criteria and assumptions for determining the place of establishment, permanent establishment, permanent residence or residence of the recipient of services;
- if the permanent and temporary residence of the provider or recipient of the service are not in the same place, the place of supply of the service is determined according to the place of temporary residence.



Modification of the rule for tax point for supply of services

The Law stipulates that the tax liability arises on the day on which the invoice is issued for the supply of services directly related to the services of transfer, assignment and use of authorship and related rights, patents, licenses, trademarks and other intellectual property rights, regardless of the person who is providing those services, as well as for technical support services for the use of software, hardware, and other equipment for a specified period of time.

New VAT exemption for transport/import within infrastructure projects

New VAT exemption for which input VAT deduction is possible is applied to supply of goods and services performed as part of completion of an infrastructural project of highway construction for which public interest is established by a separate law.

An exemption is also introduced in the case of import of goods for such infrastructural projects for the construction of highways.

The adopted amendments apply from the date of entry into force of the Law.

VAT refund for foreign passengers

The minimal value of goods for which a foreign passenger, who carries such goods abroad, has the right to a refund is decreased from EUR 100 in RSD equivalent at the middle exchange rate published by the National Bank of Serbia to RSD 6,000 (VAT included).

The Law also introduce the obligation of sellers - VAT taxpayers to issue documentation on the basis of which passengers can obtain a VAT refund, at the request of foreign passengers. The Law also extends the deadline for submitting evidence that the passenger had dispatched the goods abroad for 12 months from the day the goods were shipped.

The adopted amendments apply from the date of entry into force of the Law.

VAT exemption for import of goods for repair within the warranty period

VAT exemption for import of the goods for repair within the warranty period is prescribed.

The adopted amendments apply from the date of entry into force of the Law.

Division of input VAT and proportional VAT deduction

The Law introduces the rule that, apart from supply of equipment and facilities for performing business activity, the following supplies of goods and services are not included in the calculation of a proportional VAT deduction:

- investing in facilities for performing business activities for which a fee is charged;
- occasional real estate supplies performed by a taxpayer whose usual activity is not supply of real estate;
- occasional supply of services which are related to supply of money and capital, for which a VAT exemption without right to input VAT deduction is prescribed.

Additionally, the Law specifies that occasional supply of real estates and occasional provision of services is limited to two supplies of real estate property and two supplies of described services in one year.

In addition, in accordance with respective amendments, the taxpayer is not obligated to perform division of the input VAT, if the established percentage of proportional VAT deduction is at least 98%.

The KPMG team can offer support in adapting your business processes to the changes of the VAT Law.

KPMG VAT team is at your disposal for all your questions in respect to application of the Law.

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