

Overview of the Amendments to the Corporate Income Tax Law, Tax Balance Sheet and Corporate Income Tax Return

Tax Alert

January 2021

At the assembly held on 17 December 2020, Serbian Parliament adopted the Law on Amendments to the Corporate Income Tax Law. The Law is published in the Official Gazette of the Republic of Serbia no. 153/2020 dated 21 December 2020.

The respective amendments to the Corporate Income Tax Law should be effective as of the tax period which starts in 2021.

In addition, the Ministry of Finance adopted the Rulebook on amendments to the Rulebook on content of tax balance sheet and other issues relevant for the assessment of corporate income tax („**Rulebook on tax balance**”) and the Rulebook on amendments to the Rulebook on content of the corporate income tax return (“**Rulebook on corporate income tax return**”).

The Rulebooks are published in the Official Gazette of the Republic of Serbia no. 159/2020 dated 30 December 2020.

The Rulebooks enter into force on 31 December 2020, and are effective from the tax period which starts in 2020.

1. Important amendments to the Corporate Income Tax Law:

Capital gains realized from transfer of digital property

Amendments prescribe that capital gains could be realized based on the transfer for consideration of digital property, unless a taxpayer, within the performance of its business activity, acquired the respective property for the purpose of further sale.

Capital gains realized from sale of digital property should not be taxed if the respective funds from the sale are invested in such tax period in a share capital of resident company or investment fund, whose centre of business activities is in Serbia.

Capital gains realized from sale of investment fund unit

Amendments prescribe that capital gains could be realized from transfer for consideration of investment fund unit.

The aim of the respective provision is the equal treatment of open-end and closed-end investment funds, having in mind newly introduced regulations on investment funds in Serbia.

Tax treatment of the distribution of remaining net asset value after the dissolution of an investment fund which has no status of a legal entity

The remaining net asset value distributed in proportion to the investment units to the members after dissolution of an investment fund that does not have status of a legal entity, and which is above the acquisition value of the investment units, is considered a capital gain that is included in the tax base in the amount of 50% of the total realized capital gain.

The aim of the provision is to achieve partially equal treatment of this type of income with income generated by the investment fund which has a status of a legal entity.

Tax treatment of income realized by non-resident legal entity based on membership in alternative investment fund which has no status of a legal entity

Income realized by non-resident legal entity based on membership in an alternative investment fund which does not have a status of a legal entity, is considered dividend which is subject to withholding tax, unless otherwise is prescribed by double tax treaty.

Determination of acquisition price of immovable properties acquired before 1 January 2004 for the purpose of determination of capital gain

For the capital gain calculation purposes, it is specified that the acquisition price of immovable properties acquired before 1 January 2004 is the net present value as at 31 December 2003 (in line with the accounting regulations applicable to the financial statements for FY 2003) decreased for the amount of depreciation determined in line with the Corporate Income Tax Law.

Newly employed individuals in the sense of Article 50a of Corporate Income Tax Law

For the purpose of obtaining of tax holiday regarding investments into non-current (fixed) assets over one billion dinars and employment of more than 100 employees (newly employed individuals), it is defined newly employed individuals. Namely, newly employed individuals, in the sense of Article 50a of Corporate Income Tax Law, are not the individuals that were employed directly or indirectly with related party entity of a taxpayer, starting from the last day of the tax period preceding the investment period.

2. Important amendments of the Rulebook on tax balance:

Calculation of Tax Credit for Bank

The Bank which uses the tax credit related to conversion of housing loans indexed in Swiss francs, disclosed tax credit in the PK form, previously calculates on the new OPKB form – Calculation of tax credit for Bank for 2020.

OPKB form is not submitted as an attachment to the tax return form.

PK form - Tax credit for investments in fixed assets and tax credit of bank for 2020

In accordance with the Rulebook, due to the introduction of the new OPKB Form, the content of PK Form - Tax credit for investments in fixed assets and tax credit for bank for 2020 is changed, in a way that in addition to the existing data on tax credit based on investments made in fixed assets, PK form also includes information on the tax credit for bank for 2020 disclosed on the OPKB form.

Income from services, based on which withholding tax has been paid in another state.

In accordance with the Rulebook, in line No. 39 of Tax Balance (PB1 form), in addition to the amount of withholding tax that has been stated so far, the amount of withholding tax on services, paid in another country, should also be disclosed under this line.

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Contact details

Igor Lončarević

Partner
T: +381 60 20 55 570
iloncarevic@kpmg.com

Biljana Bujčić

Partner
T: +381 60 20 55 511
bbujic@kpmg.com

Aleksandar Ilić

Departmental Senior Manager
T: +381 60 20 55 572
ailic@kpmg.com

Ljiljana Milošević

Manager
T: +381 60 20 55 728
ljmilosevic@kpmg.com

KPMG d.o.o. Beograd

Milutina Milankovića 1J
11000 Beograd, Srbija
T: +381 11 20 50 500
F: +381 11 20 50 550
tax@kpmg.rs

kpmg.com/rs

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