



Novelties in taxation of income of freelancers

Tax Alert

May 2021

At its session held on 28 April 2021, Serbian Parliament adopted the Law on Amendments to the Personal Income Tax Law and the Law on Amendments to the Mandatory Social Security Contributions Law. The laws were published on 29 April 2021 in the Official Gazette of the Republic of Serbia no. 44.

The laws entered into force on 7 May 2021, when some of the provisions came into effect, while most of the provisions will apply as of 1 January 2022.

The amendments introduce beneficial tax treatment of freelancers' income realized in 2015-2021, while some of the amendments will be applicable from 2022 allowing freelancers who wish to change their status timely to do so (e.g. to become entrepreneurs or to start a company).

Important amendments are presented below.

1. Amendments applicable to income realized in the period from 1 January 2015 to 31 December 2021

Personal Income Tax

The amendments introduced a tax exemption in the amount of up to RSD 384,000 per year for royalties from copyright and related rights and for remunerations for work performed, for which tax is paid by self assessment.

In addition, for the part of the realized income that exceeds the amount of the introduced tax exemption, the amendments introduced lump sum deduction of up to 50% of income.

The tax liability for this income is determined by the assessment of the Tax Administration.

The amendments regarding taxation of this income apply only:

- if the expiration of statute of limitations has not occurred with respect to determining the tax liability, pursuant to regulations in force at the time of realizing income; or
- if the procedure for determining the tax liability has not been finalized; or if the tax liability has not been paid before 7 May 2021 pursuant to the regulations in force on the day the tax liability arose.

The tax determined by the decision is payable in 120 monthly installments (i.e. during the 10-year period), with the first installment due for payment on the 15th of the month that follows the month in which the Tax Administration's decision was issued.

Mandatory Social Security Contributions

For individuals who received remuneration from persons who are not obliged to withhold contributions upon payment of the remuneration, the contributions are determined by the decision of the Tax Administration and paid by these individuals in accordance with the provisions of the Personal Income Tax Law relating to taxation of remunerations by self assessment.

2. Amendments regarding personal income tax applicable from 1 January 2022

The manner in which the tax base will be determined has been changed for income from copyrights and related rights and income from remuneration for work performed, on which tax is paid by self-assessment.

For this income, the tax base will be determined by reducing the gross income realized in the calendar quarter with lump sum deduction recognized in the amount of three-times the amount of the salary tax exemption (which would currently total to RSD 54,900).



This change will not apply to income from copyrights and related rights realized by individuals who have the status of an independent artist. In addition, if an individual earns both types of income in the same quarter, the stated lump sum deduction will be recognized with respect to total amount of this income, i.e. not separately for each type of income.

The tax return for this income, to which the amendments regarding lump sum deduction are applicable, must be submitted within 30 days from the end of the calendar quarter in which the income was realized.

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

If you have any questions or need the support of our experts, feel free to contact us at tax@kpmg.rs.

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