

Amendments to the Property Tax Law adopted

Tax Alert

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At its session held on 26 November 2021, Serbian Parliament adopted the Law on Amendments to the Property Taxes Law (**Law**). The Law was published in the Official Gazette of the Republic of Serbia No. 118/2021 dated 09 December 2021.

The Law enters into force on 1 January 2022, when most of its provisions come into effect.

Important amendments are presented below.

1. Property tax

Subject to property tax

It is specified that also subject to property tax is the right to lease an apartment or residential house, constituted in favor of an individual for a period longer than one year or indefinitely, for which payment of non-profit rent or rent with application of prescribed criteria, in accordance with the laws governing:

- planning and construction and
- science and research.

Implementation of local government decisions

It is specified that property tax is determined by applying the Law and relevant decisions of the competent assembly of the local self-government unit published by 30 November of the year preceding the year for which the property tax is determined and paid.

Determining property tax for 2022

Property tax will be determined and paid in accordance with the amendments to the Law starting for 2022.

2. Tax on the transfer of absolute rights and tax on inheritance and gift

Taxpayer in case of transfer of a used motor vehicle

It is prescribed that the taxpayer of the tax on the transfer of absolute rights is the buyer, i.e. the acquirer of ownership rights on the used motor vehicle.

Tax base in case of transfer of a used motor vehicle

Amendments to the Law stipulate that in the case of transfer of a used motor vehicle, the tax base of the tax on transfer of absolute rights or inheritance and gift tax is the value of the vehicle determined by applying prescribed elements:

1. engine displacement expressed in cm³ (**engine displacement**);
2. vehicle engine power expressed in kw (**engine power**);
3. vehicle age, expressed by a coefficient from 100% to 30% (**vehicle age coefficient**).

The value of the used motor vehicle is the RSD amount which is determined according to the following formula:

$$\text{Value} = (320 \times \text{engine displacement} + 6400 \times \text{engine power}) \times \text{vehicle age coefficient}$$

It is prescribed that this method of determining the tax base in the case of transfer of a used motor vehicle between individuals who are not VAT payers will be applied as of 31 March 2022.

Assessing the tax on the transfer of absolute rights in case of transfer of a used motor vehicle

The obligation to file a tax return for determining the tax on the transfer of absolute rights in the case of transfer of a used motor vehicle between individuals who are not VAT payers is abolished (except in the case of transfer of ambulance, taxi, "rent a car" and driver training vehicles).

In aforementioned case, the tax on the transfer of absolute rights is assessed by self-taxation – the taxpayer is obliged to calculate and pay the due tax before the submission of the request for the change of traffic license.

It is prescribed that this method of assessing the tax on the transfer of absolute rights will be applied as of 31 March 2022.

Amendments to tax exemptions

It is specified that the tax exemption for the transfer of passenger vehicles for taxi transport is obtained for vehicles registered for taxi transport, if the acquirer is registered to perform that activity on the day the tax liability arises (the condition that these vehicles are specially marked is abolished).

It is specified that the tax exemption for the transfer of passenger vehicles for "rent a car" is obtained if the acquirer is registered to perform that activity on the day the tax liability arises (the condition that these vehicles are specially marked is abolished).

Authority to assess tax in case of an investment fund which is not a legal entity

When the taxpayer of tax on transfer of absolute rights and tax on inheritance and gift is an open-end investment fund or alternative investment fund which is not a legal entity, duly registered in accordance with the law, it is prescribed that the tax return (except in case of transfer of immovable property) is filed with the relevant authority on the territory of the local self-government unit where that fund is registered.

Transfer of authority for assessing the tax on the transfer of absolute rights and tax on inheritance and gift to local self-government units

The transfer of authority for assessing the tax on the transfer of absolute rights and tax on inheritance and gift from the Tax Authorities to local self-government units has been postponed until 1 January 2023.

Start of application

The tax on the transfer of absolute rights and tax on inheritance and gift for which determination procedure was initiated, according to regulations that were in force until the beginning of the application of these amendments to the Law, will be determined in accordance with the law which was in force on the day the tax liability arose.

Exceptionally, the tax on the transfer of absolute rights and tax on inheritance and gift, on the transfer of ownership of a used motor vehicle which is performed between individuals who are not VAT payers, for which determination procedure was initiated until 30 March 2022, will be determined in accordance with the law which was in force on the day the tax liability arose.

Tax on the transfer of absolute rights and tax on inheritance and gift for whose determination the taxpayer was obliged to file a tax return, and for which the tax liability arose on the day that the competent tax authority became aware of this after the entry into force of this law, will be determined and paid in accordance with the law that was in force on the day on which the tax liability would have arisen if it had been reported within the prescribed period.

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