



# Serbian Tax Card 2022

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# CORPORATE INCOME TAX

A resident is a legal entity which is incorporated or has a place of effective management and control on the territory of Serbia. Resident legal entities are liable to pay tax on their worldwide income and non-resident entities, on income derived from Serbian sources.

Generally, the tax year is the calendar year, but it does not have to coincide with the calendar year. A tax return should be filed with the tax authorities within 180 days after expiry of the tax period.

During the year the taxpayer should pay monthly advance payments that are based on the tax liability assessed for the previous year. Newly established companies pay monthly advance payments on the basis of profit estimation for the current year. Monthly advance payments are due on the 15<sup>th</sup> day of the month for the then previous month.

Taxable income is established on the basis of result disclosed in the annual income statement in accordance with the Law on Accounting which does not differ significantly from IFRS standards (the main differences relate to disclosure requirements), further adjusted in the tax balance. The tax rate is flat and amounts to 15%.

## Corporate income tax incentives

10 year tax credit for company which invests into own assets or in which other entity invests more than RSD 1 billion (app. EUR 8.5 million) and employs additional 100 new employees hired for an indefinite period of time, proportionally to the investment.

There are also special research and development (R&D) incentives subject to fulfillment of specific conditions which allow:

- Double deduction for qualifying R&D costs
- Exemption of 80% of qualifying capital gains from sale of intellectual property rights and rights linked to scientific inventions
- Exemption of 80% of qualifying income from royalty fees for exploitation of intellectual property and similar rights
- Tax credit in the amount of 30% of monetary investment made in share capital of companies involved in innovation activities.

Carry forward of tax losses is available for 5 years. Carry back of tax losses is not allowed.

Capital gains are separately taxed at the rate of 15%. Capital losses could be carried forward on the account of capital gains for 5 years.

Payment of dividends between Serbian tax resident companies is tax exempt.

## WITHHOLDING TAX (WHT)

WHT at the rate of 20% applies to dividends, royalties, interest, lease payments for real estate and other assets on the territory of Serbia. Additionally, as of 1 April 2018, solely remunerations payable to non-resident legal entities, for market research services, accounting and auditing services, as well as other services in the field of legal and business consulting (regardless of the place where the service is provided or used) are subject to WHT.

In addition, withholding tax is payable on income of non-resident from staging entertainment, artistic, sport or similar programs, which is not taxed as income of individuals (e.g. performers, musicians, athletes).

WHT is charged at 25% rate when payments of royalties, interest, lease and all service charges are made to a non-resident legal entities from jurisdictions with a preferential tax system. A non-resident entity from a jurisdiction with a preferential tax system is deemed to be an entity that is established or has a registered office, administrative headquarter, or place of effective management on the territory of a jurisdiction with a preferential tax system. The Ministry of Finance publishes the list of jurisdictions with a preferential tax system.

Capital gains realized by a non-resident entity on the territory of Serbia from a resident legal entity, a non-resident legal entity, a non-resident or resident private individual or an open investment fund are subject to capital gains tax at the rate of 20%. Capital gains tax is payable on the basis of the tax authorities' assessment.

WHT at the rate of 1% is also levied on payments made to residents and non-residents for supply of secondary raw materials and wastes.

WHT may be reduced by double taxation treaties. As at 1 January 2022 Serbia has 63 effective double taxation treaties on income and capital out of which 35 are amended by the MLI.

## VALUE ADDED TAX (VAT)

Serbian VAT law applies the destination principle to cross-border transactions.

The taxpayer is any person who independently carries out supplies of goods and services in the course of its economic activity.

VAT registration threshold amounts to RSD 8 million. A person whose turnover in the previous 12 months exceeds RSD 8 million is obliged to register for VAT. Turnover should be understood as supplies of goods and services, except for equipment and buildings, for performing a business activity that are subject to VAT in Serbia (taxable and zero rated supplies).

Any person whose turnover in the previous 12 months does not exceed RSD 8 million may opt to be registered for VAT.

A foreign entity performing supplies in Serbia is obliged to register for VAT via appointed tax proxy except when supply is performed to Serbian VAT payers, public entities or if it is certain transportation service.

Tax period	
Calendar month	For taxpayers whose turnover in the previous 12 months exceeds RSD 50 million  For taxpayers who start up business operations – tax period is the calendar month in the first year of operations and the year that follows
Calendar quarter	For taxpayers whose turnover is lower than RSD 50 million

Import VAT is payable according to terms prescribed for the payment of customs duties.

It is not possible for group companies to register as a single VAT entity (VAT grouping).

VAT rates	
Standard rate	20%
Reduced rate	10% applies on supplies of basic foodstuffs, 'listed' medicines, daily newspapers, hotel services, gas, first transfer of ownership on residential buildings, etc.
Zero rate	Export of goods; transportation and other services in direct relation to export, transit or temporary import of goods; entry of goods in free zones and transportation and other services in relation to the entry of goods into the free zone; supplies within the free zone; repairing or incorporating and then exporting, etc.

Tax exemption without credit is provided for the following supplies: financial, banking and insurance services, supplies of land, as well as rent of land; the supply of buildings, except first transfer of buildings; public interest activities (e.g. medical services, social, child and youth welfare services), etc.

VAT returns have to be filed with the Tax Authorities and VAT liability declared in VAT return should be paid within 15 days after expiry of the tax period. As of 1 July 2018, taxpayer is obliged to file VAT calculation review form (POPDV form) along with VAT return.

VAT refund	
General refund period	45 days from the deadline for submitting the tax return
Refund period for exporting companies (companies whose value of exports of goods exceeds 50% of the total value of their turnover or if the value of exports of goods exceeds EUR 10 million)	15 days from the deadline for submitting the tax returns

## PERSONAL INCOME TAX

Residents of Serbia are subject to personal income tax on their worldwide income. Non-residents are subject to income tax on their income from Serbian sources under the same rules as residents.

Personal income tax is levied on each type of income separately at flat rates (10%, 15%, or 20%), depending on the type of taxable income (employment income, income from capital, capital gains, other incomes etc.).

Salary tax rate amounts to 10%. Salary tax should be calculated, paid and withheld by employer.

In addition, a resident individual (for worldwide income) or a non-resident individual (only for income from Serbian sources) whose income in a calendar year exceeds a certain threshold prescribed by the law pays annual tax. Taxable amount is net income that exceeds the threshold, decreased for certain deductions. Threshold for 2021 amounts to RSD 3,268,224 (app. EUR 27,800). Tax rate for annual income tax is progressive and amounts to 10% or 15%, depending on generated income.

## MANDATORY SOCIAL SECURITY CONTRIBUTIONS (SSC)

The mandatory social security insurance includes: pension and disability insurance, health insurance and unemployment insurance. The base for mandatory SSC is gross income (net, personal income tax and SSC on behalf of an individual) generated by the insured individual such as: income from employment, income from freelance agreements, etc. The legislation provides a maximum base for mandatory SSC as a five time average salary in Serbia. If income generated by the insured individual exceeds the maximum base, mandatory SSC would be paid on the maximum base.

The surplus amount is subject only to personal income tax. As of 1 January 2018, the determination of the highest and lowest monthly contribution base, the highest annual contribution base and the highest assessed annual contribution base is made once a year. In this manner determined amounts apply for the entire calendar year.

Mandatory social security contributions	On behalf of an employee	On behalf of an employer
Pension insurance	14%	11%
Health insurance	5.15%	5.15%
Unemployment insurance	0.75%	-

## CUSTOMS DUTIES

The Law on Customs Tariffs and the Customs Law regulate the customs system in Serbia.

Export is liberalized for the majority of goods, except for arms, medicines, etc. Import of goods is free, but certain goods are subject to approvals, restrictions, sanitary and phytosanitary controls, etc.

The Customs Law provides 9 customs procedures: release for free circulation, transit, customs warehousing, free zone storage, inward processing, outward processing, temporary import, temporary export and exportation.

For all these procedures, except for release for free circulation, transit and exportation, customs authorization is required and in some situations an evaluation of their economic impact may be required also.

The customs tariff is based on the internationally harmonized system

of description and codes of goods, as well as the tariff codes of the EU. Customs rates range between 0 percent and 30 percent. Serbia has free trade regime with the European Union, Russia, Kazakhstan, Belarus, EFTA (Switzerland, Norway, Iceland, and Liechtenstein), Turkey, CEFTA (Albania, Bosnia and Herzegovina, Macedonia, Montenegro, Moldova and the territory of Kosovo and Metohija\*). This customs-free regime covers most key industrial products, with only a few exceptions and annual quotas for a limited number of goods.

Serbia is also a beneficiary country of the USA Generalized System of Preferences scheme.

## EXCISE DUTIES

Excise duties are levied on the production and import of: oil derivatives (leaded and unleaded petrol, kerosene, gas oil, LPG, additives and extenders, other oil derivatives that come from oil fractions with a distillation range of up to 380°C); bio fuel, electricity for final consumption, tobacco products including non-burning tobacco; refill liquid for e-cigarettes; alcoholic drinks and coffee.



The excise duty taxpayer is the producer and importer of excisable products.

Deferral of excise duty liability is possible by exercising the right to hold an excise warehouse. The Ministry of Finance issues excise permits to maintain an excise warehouse.

The taxpayer is obliged to pay excise duties by the end of month for those calculated in the first 15 days, and by end of the first half of following month for those calculated in second half of previous month. Excise duty should be calculated when placing the product on the market. Tax returns should be filed with the Tax Authorities within 15 days after the end of month.

Excise duty is not payable on excise goods exported by their producer and in certain other cases.

## TRANSFER TAX

Transfer tax at a rate of 2.5% is payable on transfer of immovables which are not subject to VAT, used cars that are not subject to VAT, etc.

## DOUBLE TAX TREATY NETWORK

Treaties with the following countries are in force as of 1 January 2022:

 Albania	 Estonia	 Latvia	 San Marino
 Armenia	 Finland	 Libya	 Singapore
 Austria	 France	 Lithuania	 Slovakia
 Azerbaijan	 Georgia	 Luxembourg	 Slovenia
 Belarus	 Germany	 Malta	 South Korea
 Belgium	 Greece	 Moldova	 Spain
 Bosnia and Herzegovina	 Hungary	 Montenegro	 Sri Lanka
 Bulgaria	 Hong Kong	 Netherlands	 Sweden
 Canada	 India	 North Korea	 Switzerland
 China	 Indonesia	 North Macedonia	 Tunisia
 Croatia	 Iran	 Norway	 Turkey
 Cyprus	 Ireland	 Pakistan	 Ukraine
 Czech Republic	 Israel	 Poland	 United Arab Emirates
 Denmark	 Italy	 Qatar	 United Kingdom
 Egypt	 Japan	 Romania	 Vietnam
	 Kazakhstan	 Russia	
	 Kuwait		

# LOCAL TAXES

The tax on property is paid by the titular of property rights (ownership, right of use, etc.). Maximum rate provided by the Law amounts to 0.4% (exact rates are determined by the local municipality).

Signboard tax is levied by the local municipality and determined based on the city zone size of the company, type of business activities, etc.

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\*In accordance with the UN Security Council Resolution No. 1244.

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