

Amendments to the Personal Income Tax Law and the Law on Mandatory Social Security Contributions adopted

Tax Alert

December 2022

On 9 December 2022, Parliament of Serbia adopted amendments to the Personal Income Tax Law and the Law on Mandatory Social Security Contributions. Amendments come into effect from 01 January 2023.

An overview of the most important changes is provided below:

The rate for pension and disability insurance contributions is decreased

The rate for pension and disability insurance contributions is decreased from 25% to 24%.

In particular, the rate for pension and disability insurance contributions on behalf of the employee remains at 14%, while the rate on behalf of the employer is decreased from 11% to 10%.

The non-taxable amount for salary tax calculation is increased

The non-taxable amount for salary tax calculation is increased to RSD 21,712 (instead of current RSD 19,300).

Next adjustment of this amount will be from 1 January 2024.

The tax relief for newly employed persons is extended

The deadline for exercising the right to refund of salary tax paid for newly employed persons is extended to 31 December 2023.

New models for taxation of income from services fees on which tax is paid via self-assessment taxation (so-called "freelancers")

Individuals who receive income from the copyright and related rights and income from service fee, on which tax is paid via self-assessment taxation can choose one of two models applicable for determining taxable income:

— Model 1 – fixed statutory deductible costs on a quarterly basis in the amount of RSD 96.000;

— Model 2 – statutory deductible costs on a quarterly basis in the amount of RSD 57.900 increased by 34% of quarterly gross income.

Tax is paid on for each calendar quarter.

Individual is obliged to perform self-assessment taxation related to such income, i.e. to submit a tax return and pay income tax within 30 days as of the expiration of the calendar quarter in which income was received.

An individual can choose one of the two models for determining taxable income when submitting each tax return.

Tax rate for such income depends on the chosen model:

- Model 1 - tax rate at 20%
- Model 2 - tax rate at 10%

These changes will be applicable as of 1 January 2023.

Next adjustment of statutory deductible costs will be on 1 January 2024.

Mandatory social security contributions on income from service contract fee

Quarterly bases for pension and disability insurance and healthcare insurance contributions payment on service fee are introduced.

The base for pension and disability insurance depends on the chosen model of taxation:

- Model 1 – base is taxable income.
- Model 2 – base is taxable income, which cannot be lower than the triple amount of the minimum monthly social security contribution base.

The base for healthcare insurance contributions is the same for both models - taxable income, which cannot be lower than the triple amount of 15% of the average monthly salary paid per employee in the previous year.

Annual income tax will be paid via self-assessment taxation

Starting with the income generated in 2022, annual personal income tax will be reported and paid via self-assessment taxation, instead of the Tax Authorities' assessment.

Based on the available data, the Tax Authorities will prepare a draft of the annual tax return by 01 April of the following year for then previous calendar year, at the latest.

The annual tax return can only be submitted online, via Tax Authorities' system. If needed, the individual may amend the draft annual tax return prepared by the Tax Authorities' system.

The due date for submitting of the annual tax return and payment of annual tax is 15 May of year for the then previous calendar year.

If the individual does not submit the annual tax return within the prescribed deadline, the Tax Authorities will automatically submit it on behalf of the individual.

These changes will be applicable as of 1 January 2023.

Extension of the deadline for submitting a request for lump-sum taxation, and opting for a salary payout taxation model of entrepreneurial income

The deadline for submitting a request for lump sum taxation of entrepreneurial income, and opting for a salary payout taxation model of entrepreneurial income is extended until 31 December of the following year (instead of within 5 days from the registration with the Tax Authorities).

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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