



Arm's length interest rates for 2024



Tax Alert

June 2024

Ministry of Finance ("MF") has adopted the Rulebook on arm's length interest rates for 2024 ("the Rulebook"). The Rulebook was published in the Official Gazette of Serbia No. 48 dated 31 May 2024 and is effective as of 8 June 2024.

Impact of the Rulebook to transfer pricing documentation for 2024

According to the provisions of Article 61 of the Corporate Income Tax Law ("the CIT Law"), in determining arm's length interest expense/revenue, taxpayers can:

1. use interest rates as prescribed by the MF Rulebook or
2. apply general OECD based methods for assessment of arm's length interest as prescribed by the CIT Law.

Taxpayers may opt only for one of the above options. Selected option needs to be consistently applied to all intercompany loans.

The Rulebook prescribes separate interest rates for long-term and for short-term borrowings for all non-finance entities and a single interest rate for banks and finance leasing companies (except for RSD denominated loans where interest rate is prescribed separately for short term and long term loans).

Arm's length interest rates for 2024 as prescribed by the MF

Arm's length interest rates for 2024 as prescribed by the Rulebook				
Credit/loan currency (including dinar loans denominated in another currency)	Banks and financial leasing companies		Other companies	
	Short term loans	Long term loans	Short term loans	Long term loans
RSD	5,02%	5,16%	7,57%	8,30%
EUR	4,31%		6,12%	6,23%
USD	5,02%		8,20%	4,25%
CHF	2,80%		-	7,54%
SEK	4,19%		-	-
GBP	1,88%		-	-
RUB	2,42%		-	-
CNY	4,55%		-	-

What impact may this have on your business?

In general, an increasing trend of interest rates compared to 2023 is present, which is consistent with the overall rise in borrowing costs in the real economy.

It is necessary to review if new interest rates for 2024 are aligned with interest rates currently applied in your related party financial instruments. In addition, companies exposed to significant / long-term related party financing should consider applying general OECD based methods for assessment of arm's length interest as prescribed by the CIT Law, as such approach may be more beneficial and provide increased level of certainty in relation to future tax treatment.

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

KPMG will continue to monitor all relevant developments in this complex area and inform you about possible impact of these events on business operations.

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