

# Amendments to the Value Added Tax Law adopted

## Tax Alert

December 2024

The parliament of the Republic of Serbia adopted the Law on Amendments to the Value Added Tax Law (the **Law**) at its session held on 27 November 2024. The Law was published in the Official Gazette of the Republic of Serbia no. 94/2024 dated 28 November 2024.

The Law goes into effect on 15 December 2024 and shall apply as of 1 January 2025, with the following exceptions:

1. The provision related to the change of the tax period will apply as of 20 December 2024,
2. The provisions related to the preliminary VAT return will apply starting from the VAT period January 2026, i.e. January – March 2026.

The most important changes are presented below.

### Preliminary VAT return

The most important change is the introduction of the preliminary VAT return, which is defined as set of data related to the supply of goods, services, import of goods and other transactions that can affect the amount of VAT liability.

The preliminary VAT return for the VAT payer's tax period, is made in the System of Electronic Invoices (**SEF**) based on the data available in the system.

Exceptionally, it is prescribed that the preliminary VAT return is not made for the tax period in which the VAT activity started, nor for the VAT period in which the VAT payer's VAT activity ended.

The VAT payer submits the VAT return together with the preliminary VAT return, and if he fails to do so within the deadline, the preliminary VAT return is submitted to the Tax Authorities at their request.

In addition, the obligation to prepare and submit the overview of VAT calculation (POPDV form) with the VAT return is abolished.

### Change in tax base

In case of a subsequent increase of tax base for the supply, in addition to the obligation to correct (increase) the amount of VAT due, the tax debtor has the obligation to issue a debit note.

The conditions for the decrease of calculated VAT in case of subsequent decrease of the tax base are regulated further.

A VAT payer obliged to calculate VAT for the supply made to another VAT payer, can reduce the amount of VAT if:

1. he issued a credit note,
2. the recipient corrected input VAT, if he used calculated VAT as input VAT, and
3. has the confirmation of the recipient that he corrected input VAT, and that he did not use the calculated VAT as input VAT.

If the supply was made to an entity that is not a VAT payer, the VAT payer can make a correction if:

1. he issued a credit note,
2. has confirmation of the tax base reduction, and
3. has confirmation that the VAT amount was not and will not be used for a VAT refund in case the supply has been performed to an entity entitled to a VAT refund.

Due to a subsequent decrease of the tax base for the supply for which the recipient VAT payer - is a tax debtor, and who has the right to deduct input VAT, the tax debtor can decrease the amount of calculated VAT if:

1. he created an internal invoice, and
2. corrected input tax, if the calculated VAT was used as input tax.

Due to a subsequent decrease of the tax base for the supply of goods and services for which the VAT payer is a tax debtor, and who does not have the right to deduct input VAT, the tax debtor can decrease the amount of calculated VAT if:

1. he created an internal invoice, and
2. has a document that confirms that a decrease in the fee occurred.

The rules on the decrease of tax base are also applied in case of reduction of an advance payment.

### **Requirements for input VAT deduction**

It is stipulated that the right to input VAT deduction based on the supply for which the obligation of issuance of an electronic invoice (e-invoice) is prescribed can be exercised only on the basis of an accepted e-invoice.

A VAT payer can exercise the right to input VAT deduction for a certain tax period if the e-invoice is accepted no later than the day preceding the day of submission of the tax return for that tax period, and no later than the 10th day of the calendar month following that tax period, regardless of the tax period in which the obligation arose and from the date of issuance of the e-invoice.

If the e-invoice is accepted starting from the day of submission of the tax return, i.e. starting from the 11th day of the calendar month following the tax period, the VAT payer can exercise the right to deduct input VAT for the tax period in which the e-invoice was accepted.

It is specified that a VAT payer who did not exercise the right to deduct input VAT based on an advance invoice, can exercise the right to deduct input VAT based on the invoice for the supply.

It is prescribed that if the invoice contains formal deficiencies related to the identification of the recipient of the invoice, apart from the TIN, this fact does not undermine the right to deduct input VAT of the VAT payer - the recipient of the invoice.

As an additional condition for the deduction of input VAT in cases where the tax debtor is recipient of goods and services, the obligation to prepare an internal invoice is prescribed.

### **Cancelation of invoice**

It is stipulated that if the VAT payer cancels an invoice with calculated VAT, he reduces the tax base amount, and can reduce the VAT, if:

1. he issued a new invoice when there is an obligation to issue an invoice, and
2. has a confirmation from the recipient, the VAT payer, that the VAT on the invoice was not used as input VAT and that no request for a VAT refund was and will not be submitted.

The reduction of VAT is made for the tax period for which the stated requirements are met.

It is specified that requirements are considered fulfilled for a tax period if the VAT payer fulfills both requirements by the day preceding the day of submission of the VAT return for that tax period, and no later than the 10th day of the calendar month following that tax period.

### **Correction of input VAT**

It is prescribed that the correction of input VAT is made also on the basis of the reduction of the advance payment and on the basis of the cancellation of invoices and other documents.

A VAT payer who has corrected – reduced input VAT can provide a confirmation about that correction to the VAT payer, if he has received a credit note from him in case there is an obligation to issue it.

### **Obligation for creating an internal invoice**

There is an obligation to prepare an internal invoice when the recipient is a tax debtor, in the case of supply, advance payment, increase in the tax base for the supply, reduction in the tax base for the supply and advance payments.

### **Import tax base**

It is prescribed that in the case of supply of services for which the fee is included in the customs value of the imported good, the tax base is the difference between the total amount of the fee for such supply and the amount of fee included in the customs value of the imported good.

### **Registration of VAT payer**

For taxpayers who, in the previous 12 months, had a total turnover of more than RSD 8,000,000, it is stipulated that they are required to register as VAT payers with the Tax Authorities within five days from the date of realization of such turnover.

In case when a VAT payer ceases to exist due to a status change, the rule that before deletion from the register of business entities the payer is obliged to submit to the Tax Authorities a request for deletion from the VAT register does not apply. Namely, in this case, his legal successor submits a confirmation to the Tax Authorities about the status change within 15 days from the day of the status change.

### **Change in tax period**

A VAT payer for whom the tax period is a calendar quarter can submit a request to change the tax period to a calendar month starting from 20 December and ending on 31 December of the current year, for the following calendar year.

## **Transfer of assets or portion of assets**

In the case of transfer of entire assets or a portion of the assets that constitute a business unit, the possibility is provided to agree payment of VAT on the transfer of construction facilities and economically divisible units within those facilities, including ownership shares in such assets, based on a contract or decision on such transfer.

### **Farmers**

If the value of the received goods or services subsequently increases/decreases, the VAT payer issues a receipt to the farmer if the value has increased, or a credit note if the value of the received goods or services has decreased.

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