Rulebook on Personal Income Tax Exemptions for Share Based Payments to Employees Published

Tax Alert
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On 12 July 2019 the Ministry of Finance adopted the Rulebook on Personal Income Tax Exemptions for Share Based Payments to Employees Acquiring Shares Without Consideration or at Preferential Price (Rulebook). This Rulebook was adopted based on amendments to the Personal Income Tax Law that went into effect on 16 December 2018.

The Rulebook specifies in greater detail conditions that need to be fulfilled for a personal income tax deduction, including documentation that must be provided as proof of fulfillment (evidence). Shares received directly from a Serbian employer, as well as shares acquired by employee without consideration or at a preferential price from a Serbian or foreign related party of the employer are covered by the Rulebook. In this sense, both situations are covered: when the employer is required to calculate and pay personal income tax and social security contributions, as well as when the employee is required to settle a tax liability though self-assessment.

The Rulebook specifies:
- Which persons are required to provide documentation on fulfillment of conditions for a tax deduction;
- Deadlines for filing documentation;
- Which persons are required to submit to the Tax Administration documentation in case of tax audit.

The Rulebook is effective as of 20 July 2019.

KPMG support

In view of the new rules and possibilities for tax exemptions, KPMG professionals are at your disposal to assist with:
- comprehensive analysis of your company's share award programs for employees
- review of available documentation and determination who is required to calculate and pay tax if conditions for tax exemption are not met: the employer or the employee
- drafting of internal corporate documents and establishment of procedures for adequate monitoring of facts that are significant for taxation of shares acquired by employees from the employer or the employer's related party.

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