



Eurofast



SERBIA TAX CARD

2017

TAX CARD 2017 – SERBIA

Table of Contents

1. Individuals

- 1.1 Personal Income Tax
 - 1.1.1 Tax Rates
 - 1.1.2 Taxable Incomes
 - 1.1.3 Exempt Income
 - 1.1.4 Deductible Expenses
 - 1.1.5 Allowances
- 1.2 Social Security & Health Insurance Contributions
- 1.3 Submission of Tax Returns

2. Corporate Taxation

- 2.1 Corporate Income Tax
 - 2.1.1 Residency
 - 2.1.2 Tax Rates
 - 2.1.3 Taxable Incomes
 - 2.1.4 Exempt Income
 - 2.1.5 Deductible Expenses
 - 2.1.6 Non-deductible Expenses
- 2.2 Withholding Taxes

3. Indirect Taxation

- 3.1 Value Added Tax (VAT)
 - 3.1.1 VAT Registration Threshold
 - 3.1.2 VAT Rates
 - 3.1.3 Exempted Supply of Goods & Services
- 3.2 Custom Duties
- 3.3 Excise Duties

4. Local & Other Taxes, Fees

5. Tax Calendar

6. Administrative Penalties

I. Individuals

1.1 Personal Income Tax

Residents are subject to personal income tax on their worldwide income. Non-residents are taxed on their Serbian-source income only. Income tax is assessed in the year, in which the income is earned on a current year basis.

1.1.1 Rates

Annual Personal Income Tax Rate	Taxable amount
Exempt	Total annual income from all taxable sources is exempt up to 3 times the average annual salary.
10%	On income between 3 to 6 times the average annual salary.
15%	On income above 6 times the average annual salary.

Currently, the 3 average annual gross salaries have been determined to be RSD 2,285,064.

1.1.2 Taxable Income

Income Type/Taxable Source	Taxable Amount
Income from salaries and bonuses arising from labour agreements	Gross salary (net salary + income tax + social security contributions) less a variable non-taxable amount, currently RSD 11,790 or approximately EUR 95
Rent of own properties	20% tax on gross - 25% of standardized costs (-50% in tourism)
Income from dividends or from other types of profit distribution	Monetary or non-monetary amount received as income
Royalties	gross-34%- 50% of standardized costs
Capital gains	Sales price less the acquisition price further adjusted in accordance with the Personal Income Tax Act

1.1.3 Exempt Income

Income Type	Exempted Amount
Income received as a result of being insured in the social and health insurance scheme	100%
Inheritance and gifts	Inheritance received by a first degree related person. Farmer received agricultural land (under specific conditions) Person receiving a dwelling (under specific conditions)
Pensions	100% in case of retirement
Games of chance income	Up to RSD 11,344 100%- Gains from casinos and slot machines

Organized social and humanitarian help	100%
Income derived in line with legislative related to disability persons	100%
Scholarships	100% for scholarships up to RSD 11,176 per month
Unemployment benefits	100%
Redundancy and retirement payments	Subject to limitations

All non-taxable amounts are adjusted once a year during January, and are valid for the next 12 months.

1.1.4 Deductible Expenses

Expenses are generally non-deductible for personal income tax purposes.

1.1.5 Allowances

Personal allowance for the purpose of the annual personal income tax equal to 40% of the average annual salary may be claimed by taxpayers. An additional allowance equal to 15% of the average annual salary may be claimed for each dependent family member. The total amount of the allowances may not exceed 50% of the aggregate taxable income.

1.2 Social Security and Health Insurance Contributions

Contribution rates are as follows:

Contribution	Employer	Employees
Pension and Disability Insurance	12.0%	14%
Health Insurance	5.15%	5.15%
Unemployment Insurance	0.75%	0.75%
Total	17.9%	19.9%

Contributions to pension insurance at the rate of 26%, to health insurance at the rate of 10.3% and to unemployment insurance at the rate of 1.5% are payable by self-employed persons.

1.3 Submission of Tax Returns

The deadline for the submission of tax returns varies depending on the income type and the income payer.

The deadline for submission of annual personal income tax returns for income generated in 2016 is 15 May 2017.

Individuals, who received no other income than employment one and were working only with one employer during the tax year are not obliged to submit tax return.

II. Corporate Taxation

2.1 Corporate Income Tax

Resident companies are subject to profit tax on their world-wide income, while non-resident companies are taxed only on their incomes derived from sources in Serbia. Capital gains, dividends, interests, royalties are included in the income of companies and are taxed as part of corporate income tax. Income tax is assessed in the year, in which the income is earned on a current year basis.

2.1.1 Residency

Tax residency is established when a company has a permanent establishment or the management and control is exercised in Serbia.

2.1.2 Tax Rates

The rate of corporate income tax in Serbia is 15%.

2.1.3 Taxable Income

Under Serbian laws the following types of income are subject to taxation:

Income type	Taxable amount
Income derived from the ordinary course of business activity or closely connected to the ordinary course of business activity	100%
Income from the transfer of immovable properties	100%
Any rent, royalties, remuneration or other profits arising from property	100%
Income from dividends or from other types of profit distribution from non-resident subsidiaries	100%
Interest income	100%
Royalties	100%
Other incomes which are not identified in any of the forms as above	100%

2.1.4 Exempt Income

The following incomes are exempt from corporate income tax:

1. Income up to RSD 400,000 derived by non-profitable organizations;
2. Dividend income from shares in resident companies as well as capital gains arising from the sale of state-issued bonds or bonds issued by the National Bank, provinces, or local municipalities; and
3. Interest income arising from the abovementioned securities.

2.1.5 Deductible Expenses

All expenses incurred wholly and exclusively for business purposes are allowed for tax purposes if supported by relevant documents such as invoices, foreign invoices, receipts issued by state entities or other documents compiled and issued according to the Ministry of Finance Directives.

Deductible expenses include:

Expense type	Deductible amount
Salaries and social security contributions	100%
Interest and royalty payments	100%
Expenses for health, educational, scientific, humanitarian, environmental protection, religious and sports purposes given to entities registered/established for that purpose	In aggregate amount up to 5% of the total revenue
Advertising/promotion expenses	Up to 10% of total turnover
Entertainment expenses	Up to 0.5% of total income
Bad debts only after the company has undertaken all legal steps to cash in the debt	100%
Expenses for investments in culture, including cinema industry	up to 5% of the total revenue
Voluntary membership fees for chambers, unions and associations	up to 0.1% of total revenues

2.16 Non-deductible Expenses

Expenses that were not incurred wholly and exclusively for business purposes or have not been documented properly, are not deductible for tax purposes.

Non-deductible expenses include:

Expense type	Non-deductible amount
Expenses not related to business activity	100%
Expenses that cannot be documented	100%
Interest due to untimely payment of taxes, contributions and other public duties; costs of enforced collection or other proceedings; fines imposed by the competent authority	100%
Gifts and contributions given to political organizations	100%
Gifts whose recipient of a related party same as default interest between related parties (direct or indirect holding of at least 25% of the shares and / or the possibility of control or significant influence on business decisions.)	100%

2.2 Withholding Taxes

All residents such as companies, sole entrepreneurs, central and local governmental bodies, non-profit organizations and any other legal entity registered in Serbia are obliged to withhold tax from the following payments generated in Serbia:

Taxable payments	Tax rate
Dividends	20%
Interests paid to non residents	20%
Intellectual property rights paid to non residents	20%
Capital gains paid to non residents	20%
Rent of movable and immovable property paid to non residents	20%

The payer is obliged to withhold the tax and pay it in the account of Tax Authorities on behalf of the beneficiary of the payment.

The domestic withholding tax rates may be reduced if there is a Double Tax Treaty in effect.

An increased rate of withholding tax (25%) is applied to the following types of income when paid to entities resident in a black-listed country:

- Royalties
- Interest
- Rental income
- Service fees

III. Indirect taxation

3.1 Value Added Tax (VAT)

3.1.1 VAT Registration Threshold

The VAT registration threshold is determined by the Ministry of Finance, according to the economic and administration factors. The current threshold is RSD 8 million.

Voluntary registration: Every physical person or legal entity that is not obliged to be registered for VAT but offers taxable supplies of goods or services in Serbia, has the right of voluntary VAT registration at the respective Tax Office.

3.1.2 VAT Rates

Standard VAT Rate	The general rate is applied on domestic transactions and on imports of goods	20%
Reduced VAT Rate	Basic food supplies (bread, milk, meat, fat, oil, sugar), medical drugs, prosthetic devices, surgically implants and material for dialysis; books and daily newspaper; water supplies; hotel accommodation; firewood, briquettes and pellet; natural gas and thermal energy for heating; transport of passengers and their accompanying luggage etc.	10%
Zero VAT Rate	Exports of goods out of Serbia and international transport of goods and passengers	0%

3.1.3 Exempt supplies of goods and services:

Financial services and banks
Postage stamps supply
Supply provided by a non-profit organisation
Educational services
Private insurance
International air and sea transport
Supply of services performed outside the territory of Serbia by a taxpayer whose place of business is in Serbia

3.2 Custom Duty

Customs duty in the Republic of Serbia is applied on the import of goods by the custom authorities. The liability to pay excise duty is always on the importer of goods, but it is added to the cost of goods and in this way it is finally passed on to the consumers.

Customs duty is based generally on the value of goods or upon the weight, dimensions, or some other criteria of the item. The rate of Customs duty in Serbia is different for each product and it is also different for every country or group of countries. The customs authorities have the obligation to publish and to update the list of the rates for each product and each country.

3.3 Excise Duty

Excise duty in the Republic of Serbia is an indirect tax applied on certain goods, such as tobacco products, alcoholic drinks, coffee, petroleum (and petroleum by-products) etc. The liability to pay excise duty is always on the manufacturer or importer of goods. Nevertheless, it is normally added to the cost of goods and is collected by the manufacturer from the buyer of goods.

For the excise duty there are no standard rates as the level for every product that is subject of such tax is different and it is normally calculated on kg, liter or pieces basis.

IV. Local and Other Taxes, Fees

Real estate tax on buildings (Land tax)– calculated on the surface (square meters) of the buildings – its amount depends on the region where the building is located but is typically levied with a maximum rate of 0.4%

Real estate tax on agricultural land – calculated on the surface (hectares) of the agricultural land – its amount depends on the region where the land is located.

V. Tax Calendar

Activity	Deadline
Individual tax return to be submitted by the income payer	31st January for previous year
Annual personal income tax if exceeding threshold determined by the Ministry of Finance	15th May for the previous year
Declaration and payment of annual corporate income tax return	180 days from the year end
Declaration and payment of VAT	15th of the month for previous period and for all VAT taxpayers, both monthly and quarterly
Declaration and payment of social and health insurance contribution	The last day of the current month for the previous month or with the income payment
Corporate income tax advance payments if entity had obligation for CIT in the year	up to 15th of the month for previous month the until next submission of CIT return
Immovable property declaration	31st March for previous year
Submission of financial statements via special application at web portal of Register of Financial Statements	28th February - FS for statistical purposes up to 30th June - Final FS
Decision about FS adoption and profit distribution	Up to June 30th, along with FS

VI. Administrative Penalties

Description of the misconduct	Penalty
Unjustified request for tax refund or tax credit of more than RSD 500,000 (approx. EUR 4,100)	Imprisonment from 3 months to 10 years + monetary fine assessed by the court
Jeopardizing tax collection	Imprisonment up to one year + monetary fine assessed by the court
Failure to submit tax returns or untimely submission of tax returns, failure to calculate and pay tax and untimely payment of tax	10%- 100% unpaid tax, but not less than RSD 100,000
False reporting and reporting of lower amount of tax due	30% of the difference between actual due and reported tax, but not less than RSD 200,000
Failure to submit documentation and other information with the tax return	RSD 100,000- RSD 2,000,000
Other misconducts (various types)	RSD 100,000- RSD 2,000,000



Eurofast

info@eurofast.eu | www.eurofast.eu

Your Regional Business Advisory Organisation

Eurofast has taken all reasonable care to ensure that the information herein contained were accurate on the stated date of publication, however, it disclaims all express and/or implied warranties with regard to the accuracy of the information contained in the published materials. Eurofast, the authors or the contributors take no responsibility for the consequences of any action taken which resulted upon reliance or, in any way, use of the information herein and shall in no event be held liable for any damages resulting from such reliance or use of the information included in this publication. Reliance upon such information does not form any basis of a contract with readers or users of this publication. The information herein contained may be out of date and readers are advised to verify the information herein by seeking specific professional advice from Eurofast consultants before relying upon it. Material published by Eurofast may not be reproduced without permission.

Investors are advised to ask for professional assistance, since this booklet is not intended to be comprehensive. Our Firm will be happy to assist you in any way.