



SERBIA

1. Applicable Laws

- Labour Law
- Pension and Disability Insurance Law
- Health Insurance Law
- Law on Employment and Insurance in a case of unemployment
- Personal Income Tax Law
- Law on the Employment of Foreigners
- Law on Tax Procedure and Tax Administration

The salary is to be agreed between the employer and employee and stated in the employment contract in the gross amount. The gross salary includes net earnings, income tax and contributions on behalf of the employee.

By law, wages must not be lower than the minimum wage whose amount is annually decided by Social and Economic Council of Republic of Serbia (SEC). The latest decision of SEC for the minimum salary which is obligatory during 2019 amounts net 155.30 RSD/hour.

The law prescribes other salary elements (for work at holidays, overtime etc) and reimbursement of expenses, such as fees for meal allowances, subsidy for annual holiday, bonuses, seniority pay.

Employees shall be guaranteed equal earnings for the same work or the work of equal value performed for an employer. The work of the same value shall be understood as work requiring the

same professional qualification level, same work abilities, responsibility and physical and intellectual work and experience.

2. Social Insurance and Contributions

The Employee is entitled to social insurance: pension and health insurance, and insurance in case of unemployment. Social Insurance contributions are calculated at expense of both - employee and employer - at the following rates:

	Employee	Employer
Pension and Disability insurance employee	14%	12%
Health insurance	5.15%	5.15%
Unemployment Insurance	0.75%	0%

The obligation for calculation and payment of the contributions is on the employer and taxes and contributions have to be paid before the payment of the net earnings. All withholding tax and contribution returns can be submitted exclusively electronically, via web portal of the Tax Administration.

3. Personal Income Tax

Personal Income Tax on salaries is 10%. The gross amount is used as a basis to calculate contributions. The taxable amount is equal to the gross salary reduced for non-taxable part RSD 15.300,00, which is fixed and changeable once per year (prescribed by law, last from February 1st of current year until January 31st of following year).

4. Tax Incentives and Subsidies for Employment

With latest changes in legislation most of tax incentives are abolished including: employment of trainees under the age of 30 and all other age conditioned incentives. All the benefits earned before the amendment of the law can be used until the expiration of the period for which they were claimed.

Remaining in force are the incentives and subsidies for employment of persons with disabilities and incentives conditioned by number of newly hired employees with some additional conditions.

5. Employment Procedure

Contract:

The employment relations are established on the basis of an employment contract signed by the employee and the employer who is represented by the Director (Member of the Board of Directors) or an employee authorized by Power of Attorney issued by the Director. Contracts must have all general data for employer and employee, with signature date and commencement day included. A

contract also must define: the type of job and main responsibilities for both employer and employee, gross salary, working hours, violation of employment discipline, cancellation of contract notice (min. 15-30 days) and other details which are not defined by law or internal act as amount for meal allowance and subsidy for annual holiday, work in shifts, terrain work, conditions for additional days for annual leave etc.

Limitations:

An employment relation could be established with a person who is at least 15 years old, but persons older than 15 and younger than 18 can be employed only with a written consent from a legal guardian and with medical certificate of work capability.

It is forbidden for an employer to request from the employee certain data/information which is in relation with family status, marital status, family planning as well as to request the employee to submit to a pregnancy test.

Registration Procedure:

Registration of employment is done by the employer at a "single desk procedure" by submitting a single social insurance application, and prescribed by Law this step should be performed before starting date of new employee.

It is up to the employers to choose whether they will submit the application form to the Pension and Disability Fund or to the National Health Insurance Fund. For several years now there is a possibility of submitting registration online via Central Registry of Compulsory Social Insurance.

Following idea of full e-administration, old (paper) health booklets are replaced with new ones, e-medical cards with chip, with the aim of simplifying the issuance of cards and data changes, and above all process simplification of health cards verification renewal.

Employment of Foreigners:

In general, every foreigner who wants to work in Serbia is obliged to possess a work permit but with certain exceptions such as if they stay in Serbia less than 90 days during a six month period, for company owners, representatives or members of corporate bodies, for training purposes, seconded employees etc.

Work permits may be:

- Personal work permits - for foreigner with permanent residence in Serbia, refugee etc.
- Work permit that includes: Employment permit, Work permits for special cases (seconded employees, transfers within a same company, independent professionals) and Self-employment work permit (entrepreneurs or self-employed person with contract based activities/ work in Serbia).

Residence permits are issued by The Ministry of Internal Affairs, and work permits the National Employment Service, and validity period should be corresponding to residency permit. Employment contract can't be signed on period longer then validity of working permit.

Foreigners are taxpayers for part of earnings accomplished in Serbia.

The Variety of Employments

Probation work

Probation work and its duration may be stipulated in the employment contract but cannot be longer than six months. During the probation work both employee and employer could cancel the employment contract with a notice period not less than five working days.

Limited time work

Employment can be contracted for a definite term, but no longer than 24 months in following cases: seasonal jobs, increased volume of work, replacement of a temporarily absent employee, work on timed projects, with foreign citizens until the expiry of the work permit. For limited time work in company registered less than one year - this period is extended to 36 months.

Part time work

Employee can be hired for part-time work, for indefinite or definite periods and for remaining hours to full-time work, he can be engaged by another employer.

Work outside the employer's premises

Labour contract can be concluded for performing work outside the employer's premises, including teleworking or work at home. This contract especially should contain: working conditions and way of supervising employees operations; use of employee's means of work and compensation for it and for other work-related cost. These employees have equal rights as employees who work at the employer's premises.

Employment of Persons with Disabilities

All employers with 20 or more employees has legal obligation for employment of persons with disabilities. In addition to the actual employment of the required number of persons with disabilities, obligations can be fulfilled by participating in financing salaries of persons with disabilities or with fulfilling of other financial or material obligations from the contracted cooperation with the company for Vocational Rehabilitation otherwise employer will be obliged to pay penalties on account of the Budget Fund for Vocational Rehabilitation and Employment of Persons with disabilities.

6. Protection of Employees

Working Hours

Full working hours amount to 40 hours per week. It could be stipulated that full working hours are less than 40 hours per week by a general employer's act but it cannot be less than 36 hours per a week.

Overtime work

The employee is obliged to work overtime on a reasonable employer's request. Overtime work of an employee cannot exceed eight hours per week and four hours per day.

The employee shall be entitled to an increase in the salary. The increment cannot be less than 26 % of basic salary.

Holidays

The annual leave given to an employee amounts to a minimum of 20 working days.

The minimum of 20 working days could be increased on following basis:

- Work contribution;
- Work conditions;
- Working experience;
- Level of education; and
- Other criteria determined by general act or employment contract.

The employee will be entitled to annual leave in a calendar year after a month of continuous work from the date of employment with the employer. Such an employee is entitled to 1/12 of the annual leave (proportional part) for each month of work in a calendar year.

Paid and Unpaid Absence

The right to paid absence for a maximum of five work days in total during a calendar year is granted to an employee in the case of marriages, births, serious illness of a member of the close family, and in other cases determined in a general act or the employment contract. An employee is entitled to additional days of paid leave as follows:

- Five days in the case of death of a close family member; and
- Two days in the case of voluntary blood giving.

Sick Leave: Employee is entitled for compensation of salary during absence from work due to temporary inability to work for up to 30 days (65% of the average salary in the 12 months preceding if illness or injury was not inflicted at work or 100% if inability is caused by an occupational illness or injury inflicted at work). An employee is obliged to submit to the employer, no later than three days from the occurrence of his/her temporary impediment from work, a certificate issued by a physician. Such a certificate has to be issued in accordance with the health insurance regulations. For sick leave longer than 30 days National Health Insurance Fund will be charged (employer has right to request refund of paid salaries).

Pregnancy and Maternity Leave: Employee who is on pregnancy leave is entitled to a reimbursement of salary in the amount of the average salary for last three months, and during maternity leave in the amount of average salary in last 12 months. Employee is entitled to maternity leave as well as to nursing leave in the combined duration of 365 days for the first and the second child, and two years for a third and a fourth child.

Unpaid leave could be granted to an employee. In the case of unpaid leave, the employee's rights and duties stagnate (they are frozen).

7. Payroll Calculation Procedure

Gross salary (net salary + social insurance contribution and taxes) includes:

- Salary for performed work and time spent at work;
- Bonuses, premiums and other incomes derived from the employee's contribution to employer's business success;
- Other incomes in accordance with laws, by laws and internal acts.

The salary shall be paid in the way determined by the general act and/or employment contract at

least once a month. The employer is obliged to pay the salary for the previous month until the end of the current month the latest.

8. Termination of Employment

An employment shall terminate in one of the following ways:

- a. After the expiration period stated in the employment agreement;
- b. If the employee is 65 years old and completes 15 years of social insurance contribution and employer and employee have not agreed otherwise;
- c. By mutual agreement concluded between employer and employee;
- d. By termination by employer or employee;
- e. At the request of the parents or guardian of an employee younger than 15 years; and
- f. Other ways stipulated by law, general act or employment agreement.

Termination of employment by an employee

Written notice of termination of employment has to be given to the employer and notice period cannot be less than 15 days prior the day of termination or longer then 30 days.

Termination of employment by employer

There is an obligation for an employer to issue a warning letter to an employee prior to termination. The grounds and reasons for the termination of employment have to be explained in a letter and facts and evidences, which indicate existence of termination reasons, must be presented. An employee has the right to answer to a warning letter in a period of at least 8 days.

Deadline to initiate a case before court by an employee against a ruling that he violated the right is reduced to 60 days from the date of delivery.

Prohibited termination

It is prohibited to cancel the employment contract of an employee who is pregnant, on a maternity leave, nursing leave or a leave for special care for a child.