
Individual Taxation

SERBIA

INDIVIDUAL TAXATION IN SERBIA

The annual personal income tax is paid by individuals who, in calendar year, have earned an income greater than three times the average annual salary per employee paid in the Republic of Serbia in the year for which the tax is determined, according to the data of the Republic's authority responsible for statistics.

Taxpayers are:

1. Residents for the income earned on the territory of the Republic of Serbia and in another country
2. Non-residents for income earned on the territory of the Republic of Serbia.

In the Republic of Serbia, income is determined by the sum of income from employment and non-employment. The application is made electronically on the government portal:

<https://e-porezi.gov.rs>

Individuals who are residents can register and receive an online account on the e-filing portal, while non-residents must apply to the nearest tax authority for registration or to register through a tax attorney.

The fiscal year begins on January 1 and ends on December 31. The deadline for submitting the annual declaration on the income of citizens is no later than May 16 of the following year.

Serbian tax residents whose annual net worldwide income exceeds the 3.268.224 RSD threshold, are taxed with the progressive tax rates seen below:

1. Tax Rates

<i>Annual Income</i>		<i>Tax Rate</i>
<i>From</i>	<i>To</i>	
0	3.268.224 RSD	0%
3.268.224 RSD	6.536.448 RSD	10%
Over 6.536.448 RSD		15%

2. Taxable Incomes

Other types of income include:

- ✓ Capital gains
- ✓ Investment income
- ✓ Royalty income
- ✓ Income from Independent activities

- **Capital gains** is the income generated by the sale or transfer of ownership regarding real estate, urban land, intellectual property rights, shares and other financial securities except bonds. The applicable tax rate is 15%.
- **Investment income** consists of interest gained on loans, savings and deposits. Dividends are also included as well as revenues from real estate (immovable property).
- Tax rate for interest gained and real estate tax is 15% and 20% correspondingly.
- **Royalty income** includes revenue from copyrights, rights related to copyright, and industrial property rights. The tax rate applicable is 20%.
- **Income from Independent activities.** The tax rate applicable is 20%.

The tax base is the difference between the gross income and the expenses incurred by the taxpayer. Standard expenses are used to reduce the tax base and amount to 50%, 43% and 34% of gross income, depending on the type of royalty.

A short presentation of the above-mentioned income types:

<i>Income type</i>	<i>Taxable amount</i>
Income from salaries and other compensations derived from employment	100%, deducted for non-taxable amount (19.300)
Income from rental or other profits arising from real property	100%
Income derived from transfers of ownership rights over immovable property	100%
Income derived from transfers of quotas and shares	100%
Interest income derived from bank deposits and bonds	100%
Income from dividends or other type of profit distribution	100%
Income from Copyrights or Royalties	100%, deducted for non-taxable amount 50%, 43% and 34% depending of type of service
Income derived from gambling and casinos	100%

3. Exempted Income

Specific types of income are exempted from taxation. Some of them are presented in the table below:

<i>Income type</i>	<i>%</i>
Write-off of part of the bank's claim from individuals where an out-of-court settlement can be reached in order to reduce the number of uncollectible loans.	100%
Income from pensions and other similar benefits of foreign citizens from European Union countries, with a residence permit in the Republic of Serbia, as well as foreign citizens who have obtained Serbian citizenship and are residents in the Republic of Serbia and who benefit these incomes according to the legislation of the country where they receive their pension or other similar benefits	100%
Income from expropriations	100%
Income which is exempted according to international treaties ratified by the Parliament of Serbia	100%
Prizes received from the government for achievement in science, sports, or culture	100%
Employees are exempt from paying income tax if they have acquired shares in the company they work for either for free or at a reduced price, if they dispose of them after the expiry of two years	100%

4. Deductible Expenses

For taxpayers (both for residents and non-residents) of annual personal income tax, who are less than 40 years old, the qualified net income earned on the basis of wages, income from self-employment and income from copyright and related rights and industrial property rights is additionally reduced by the amount of RSD 3,268,224 (three average annual salaries per employee paid in Serbia in the year for which the tax is determined).

In the tax return, the total net income realized in the calendar year and the non-taxable amount are reported, and the difference constitutes taxable income.

Taxable income is additionally reduced by the amount of prescribed personal deductions, and the remaining amount constitutes taxable income to which the prescribed tax rates are applied.

Personal deductions are set in the following amounts:

- for the taxpayer: RSD 435.763
- or each dependent family member: RSD 163.411

The total amount of personal deductions cannot exceed 50% of taxable income.

Some other types of deductible expenses are presented below:

<i>Expense type</i>	<i>%</i>
Interests on loans taken for the education of dependent family members	100%
Health care expenses for medical treatment which are not covered by the health insurance	100%

The total of deductible expenses cannot exceed the amount of total taxable income.

Benefits for employers for hiring qualified new employees:

- Decreasing for Tax and Contributions - 50%
- Decreasing for Tax and Contributions - 40%
- Decreasing for Tax and Contributions - 30%

5. Other taxes

Other significant taxes regarding labor are social security contributions both for employees and employers.

Non-taxable amount for the income from employment, both for residents and non-residents is 19.300 RSD and this amount is applied to all wages regardless of the amount of the same.

For the employee:

- Pension and disability insurance: 14%
- Health insurance: 5.15%
- Unemployment insurance: 0.75%

For the employer:

- Pension and disability insurance: 11%
- Health insurance: 5.15%

Also, the VAT rate (Value added tax) applicable to goods and services is 20%.

Note: Non-taxable amount listed above are changeable. At the end of the current year new non-taxable amount will be established for the next year.

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Published November 2022