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The Serbia Tax Facts 2009

Personal income tax • Corporate income tax
• Tax incentives • Employment income • Tax
depreciation • Capital gains • Gift and inheritance
tax • Social security contributions • Value added
tax • Property tax • Real estate transfer tax

Taxes on income



Personal Income Tax

Serbia has mixed type of the Personal Income Tax - cedular taxation during the year (each category of income is separately taxed) and complementary annual global tax.

Personal income tax shall not be payable on the receipts based on the following:

- 1) Regulations dealing with the rights of disabled veterans;
- 2) Parent and child allowance;
- 3) Allowance for being assisted and nursed by another person and compensation for disability;
- 4) Unemployment benefit;
- 5) Sustenance granted in conformity with law;
- 6) Health insurance benefits, with the exception of compensation for wage/salary;
- 7) Property insurance indemnity, other than indemnity for lost profit, as well as personal insurance indemnity for damage suffered, unless it was made good by the perpetrator;
- 8) Indemnity for material and consequential damage, with the exception of indemnity for lost profit and compensation for wages (salary) or lost wages (salary);
- 9) Relief given in the event of death of an employee, a member of his/her family or a retired employee, up to RSD 35,000;
- 10) Relief given because of the destruction of or damage to property in consequence of natural disasters or other extraordinary occurrences;
- 11) Organized welfare and humanitarian aid;
- 12) Grants and loans to pupils and students amounting up to RSD 6,000 a month;
- 13) Meal allowance paid to amateur athletes by amateur sport clubs in conformity with the law dealing with sports amounting up to RSD 5,000;
- 14) Remuneration and reward for the work done paid to convicts and juvenile delinquents kept in penitentiaries and reform establishments;
- 15) Remuneration and reward for the work done paid to inmates of psychiatric establishments;
- 16) Remuneration for the work done by persons in the bodies conducting elections or population census;
- 17) Old age pension and disability pension;
- 18) Retirement gratuity, up to the minimum amount according to the Labor Law;
- 19) Severance pay/gratuity paid by the employer to a redundant employee, in conformity with the law dealing with labor relations, up to the amount determined by that law;
- 20) Non-recurrent compensation paid in money to a person whose employment is terminated in the process of enterprise restructuring and preparation for privatization, bankruptcy and liquidation, in conformity with the Resolution Determining the Welfare Program for Employees whose Employment is Terminated in the Process of Enterprise Restructuring and Preparation for Privatization, Bankruptcy and Liquidation (Official Gazette of RS, no. 12/2002), up to the amount set in that program and an unlimited amount in the case of persons over 50 years of age.
- 21) Remuneration for the work done by a sustainer and remuneration for supporting the beneficiary in the sustainer family;
- 22) Remuneration for the soldiers in military service and students at military schools
- 23) Premiums, regresses and subventions for farmers, according to law
- 24) VAT compensation for farmers, according to law
- 25) Prizes and awards for pupils and students relating to the achieved successes during education and winning on educational contests.

If a resident of Serbia earns revenue in the other country, on which tax was paid in that country, he/she shall be allowed a tax credit amounting to the income tax paid in another country, but no more than the amount that would be obtained by applying the provisions of the present PIT Law.

Taxable revenues	Tax rate	Standard expenditures
wage/salary revenue from agriculture or forestry revenue from self-employment revenue from intellectual property rights revenue from yield on capital	12% 14% 10% 20% 20%	RSD 5,560 according to tax balance 40-60%
revenue from real estate capital gains	20% 20%	for residents 50% of dividend or revenue stemming from the share of profit or revenue stemming from investment unit; for residents and non-residents 100% of interest on RSD deposits and public loans 20%
other income: • revenue from leasing of movable property • revenue from games-of-chance winnings		20% winnings up to RSD 15,000, lottery prizes associated with public loans, winnings of games in casinos and on slot machines are exempted
• revenue from personal insurance • revenue of athletes and athletic specialists • other revenues: • revenue stemming from a contract on hiring work, contract on provision of temporary or occasional services, revenue received by a member of a pupil, youth or student co-operative younger than 26 years for temporary or occasional services, youth or student co-operative younger than 26 years, remuneration received by members of boards of directors and supervisory boards of legal entities, fees paid to members of parliament and councilors, remuneration paid for the work done in connection to national defense, civil defense and protection against natural disasters, receipts referred to in Article 9 of the present Law in excess of the non-taxable amounts, revenues of bankruptcy managers, court experts and jurors, prizes, reimbursements and financial support to unemployed,		/ 50% 20%
• other revenue received by a member of a pupil, youth or student co-operative younger than 26 years, and revenue earned by individuals by collecting secondary raw materials, forest products and medicinal herbs	20%	40%
annual personal income	10/15%	

Taxable revenue	Main tax credits and tax exemptions
wages/salaries	<ul style="list-style-type: none"> • public transport allowance (to and from the place of work), up to the price of a monthly ticket, but no more than RSD 2,000 • daily allowance on business trips in the country no more than RSD 1,200 a day, and on business trips abroad, up to the amount set by the competent authorities • accommodation allowance on business trips, against presented bills • transport allowance on business trips, against public carrier bills, and when the use of the employee's own car is permitted under laws and regulations, up to 30% of the price of a liter of super petrol, but no more than RSD 3,500 a month • solidarity relief in the event of sickness, medical rehabilitation or disability of an employee or member of his/her family, up to RSD 20,000 • Christmas presents for children of employees, to the age of 15, no more than RSD 5,000 per child • jubilee awards for employees, according to the Labor Law, no more than RSD 10,000 annually • additional receipts of any alien resident employed by a resident or in a permanent operating unit of a non-resident, relating to the coverage of additional expenses stemming from the employment in Serbia, shall be exempt from tax up to the amount that is not greater than 35% of the wages/salary paid, under conditions determined in the PIT Law • tax shall not be payable on the wages/salaries of disabled persons employed in enterprises for the occupational training and employment of the disabled • premium for additional pension insurance paid from salary, according to the relating law, but no more than RSD 3,000 per month • contribution to a private pension fund paid from salary, according to the relating law, but no more than RSD 3,000 per month • tax relieves for employment of unemployed persons younger than 30 years, older than 45 years and disabled persons, under conditions determined in the PIT Law
revenue from yield on capital	<ul style="list-style-type: none"> • interest on RSD deposits and public loans 50% of dividend or revenue stemming from the share of profit or revenue stemming from investment unit, but only for residents
capital gain	<ul style="list-style-type: none"> • investing of the proceeds or part of the proceeds of the sale of real estate towards dealing with own housing problem or that of a family member or household within 60 days from the date of sale, shall be exempt from tax on the capital gain made proportionally • the paid tax on capital gain shall be refunded to a taxpayer referred who invests the proceeds of sale for solving housing problem within the next 10 months • withdrawing of member's share in net assets of the private pension fund and subsequent investing of those assets in an insurance company, is exempted from capital gain tax
revenue from games-of-chance winnings	winnings up to RSD 15,000, lottery prizes associated with public loans, winnings of games in casinos and on slot machines are exempted
annual personal income	<ul style="list-style-type: none"> • for resident income not exceeding triple and for alien-residents fivefold average annual salary in Serbia, is not taxable • capital gains and revenue from yield on capital do not create tax base • personal deductions amounting to: 40% of average annual salary and 15% for depending family member, but total personal deductions may not be higher than 50% of the tax base



Corporate Income Tax

All companies

All taxable profits

10%

On the income gained by the non-resident taxpayer from the resident taxpayer on the basis of dividends and share in the profit of a legal entity, copyright fees, interests, capital gains and compensations for the lease of real-estate and movables, **withholding tax** at the rate of **20%** is calculated and paid, if not otherwise prescribed by the international agreement on the avoidance of double taxation.

The withholding tax rate provided by a double taxation prevails over the domestic rate.

TAX INCENTIVES ¹			
TYPE OF INCENTIVE	DESCRIPTION	LENGTH	PROPORTION
Tax credits			
	Investment tax credit for investments in fixed assets in own registered activity, under the conditions defined in the CIT Law.	Unused part can be carried forward 10 years , since the year when investment was made.	- 20% of investment, but no more than 50% of the calculated tax in the year of investment, for large and medium size companies; - 40% of investment, but no more than 70% of the calculated tax in the year of investment, for large and medium size companies; - 80% of investment, no other limit, for certain activities defined in the CIT Law.
	Tax credit for the employment of new workers for an indefinite period of time.	Just in the year of employment.	100% of the gross salaries paid to such employees plus the corresponding public revenues paid as a charge to the employer.
Tax relieves			
	Tax relief for investment of more than 600 million dinars in its own fixed assets; if they are used in own registered business and additional employment of workers for an indefinite period of time.	10 years since the year when first profit appeared	In proportion to investment.
	Tax relief for concession-related investment.	5 years since the date of completion of concession investment.	The profit accrued on the basis of income stemming from the subject matter of concession
	Tax relief for companies engaged in vocational training, professional rehabilitation and employment of disabled persons.	No limit	In proportion to the share of such persons in the total number of its employees.
	Tax relief for non-profit organization, under the conditions determined in the CIT Law.	Just in year when legal conditions are met.	Only if income is up to RSD 300,000 higher than its expenditures, exemption is granted.

¹ There are tax incentives for: investments in underdeveloped regions, in a region of special interest for the Republic and accelerated depreciation, but as additional regulations do not exist they can not be applied.

Calculating the Tax Base



Employment Income

Company cars (podnaslov u okviru podnaslova)

Private use of a company car is a taxable benefit, calculated as 1% of the market value according to the competent authority, on 31 December in a year prior to a year when the company car is used, for each month after the usage of the company car started.

Accommodation

The value of the benefit for accommodation provided to an employee at below the market rent is rental income at market rent in the city/town where the apartment is placed.

Additional insurance and contribution to private pension fund

Premiums for additional insurance and contributions to private pension fund paid by a company for its employees are included in employment income; exceptions are premiums for collective insurance for work accidents and the amount of additional pension insurance and contribution to private pension fund exempted of SSC.

Income stemming from performance or provision of privileges

Besides salary employment income includes: receipts in the form of bonds, monetary certificates, shares other than those acquired in the ownership transformation procedure, or goods, those stemming from performance or provision of facilities, forgiving a debt, as well as covering the taxpayer's expenditures by a monetary compensation or direct payment.

Tax base shall be:

- 1) Nominal value of bonds, monetary certificates and shares;
- 2) Price that would be fetched when selling goods on the market;
- 3) Price that would be fetched on the market for the service or facility provided to the tax-payer;
- 4) Monetary value of covered expenditures,
plus the public revenue commitments payable by employees from their wages/salaries,
and reduced for payments that employee pays to employer in connection with these incomes.

Additional receipts of alien resident

Additional receipts of any alien resident employed by a resident or in a permanent operating unit of a non-resident, relating to the coverage of additional expenses stemming from employment in Serbia, shall be exempt from tax up to the amount that is not greater than 35% of the wages/salary paid, under the following conditions:

- 1) If he/she was a resident of another state prior to taking up employment, on the basis of which he/she is receiving the additional income;
- 2) If he/she has become a resident of the Republic for reasons of taxation only, on the basis of employment;
- 3) If his/her employment does not last more than three years.



Annual Personal Income Tax

Taxable income is the sum of:

- 1) Wages/salaries;
- 2) Taxable revenue from self-employment;
- 3) Taxable revenue from copyrights and industrial property rights;
- 4) Taxable revenue from real estate;
- 5) Taxable revenue from leasing out chattels;
- 6) Taxable revenue from personal insurance;
- 7) Taxable revenue of athletes and athletic specialists;
- 8) Other taxable revenues;
- 9) Referred income earned and taxed in other state.

Taxable income shall be reduced for taxes and social contributions paid on these revenues, in the country and outside. Taxable revenue shall be the difference between the taxable income and the non-taxable amount (triple average annual salary per employee for residents and fivefold average annual salary per employee for alien-residents).

Tax base is the difference between the taxable revenue and personal deductions, which are 40% of the average annual salary per employee and 15% for dependent members, but total deductions can not be larger than 50% of taxable revenue.

Annual income tax is progressive tax, and tax rates are:

Residents:

- 1) For income up to six fold average annual salary - 10%,
- 2) For income larger than six fold average annual salary - 15%;

Alien-residents:

- 1) For income up to eightfold average annual salary - 10%,
- 2) For income larger than eightfold average annual salary - 15%.



Tax Depreciation

Two types of depreciation are available: straight-line and reducing-balance. Depreciation of fixed assets categorized into group 1 is calculated using the proportional method for each asset individually, on purchased value of the asset. Depreciation of fixed assets categorized into groups 2-5 is calculated using the degression method on the total value of assets (their sum) classified into individual groups. Depreciation of assets is calculated using the prescribed rate in the first year on purchased value and in the following years on the amount that is not written off.

Depreciation groups and rates are as follows:

Depreciation group	Depreciation rate	Description
1	2.5%	asphalt surfaces, ship docks, power plants, bridges, hangars, gas and oil pipelines, roads and highways, parking spaces, etc.
2	10%	planes, cars, ships and other vehicles, medical equipment, office material, air conditioners, etc.
3	15%	buses, fiscal registers, trucks, photocopying equipment, research equipment, TV antennas
4	20%	equipment for TV and radio broadcasting, oil rigs equipment, equipment for the treatment of minerals, telegraph and telephone equipment, etc.
5	30%	computers, system and application software, equipment for informatics infrastructure, rental cars, billboards, video tapes, CD's, DVD's, etc.



Capital Gains

Individuals

Capital gain shall be understood to mean any revenue a taxpayer realizes by selling or transferring in some other way against compensation the following:

- 1) Right of ownership to real estate;
- 2) Perpetual right of using and building on urban building land;
- 3) Intellectual property rights;
- 4) Shares in the assets of legal entities, shares and other securities, other than bonds issued in conformity with the regulations dealing with the settlement of commitments of the Republic based on the loan taken towards economic development and the household foreign exchange savings;
- 5) Investment unit
- 6) Investment unit in a private pension fund
- 7) Accumulated assets on the base of the programmed payment to a member of a private pension fund.

A capital gain shall be the difference between the sale price of rights, shares and securities and their purchase price adjusted in accordance with the provisions of the Law; if the difference is negative, it is a capital loss. Any taxpayer, who prior to the sale, has been keeping his/her rights, shares or securities in his/her portfolio before 24 January 1994 shall not be deemed to have made a capital gain by selling them.

For the purposes of the present Law, in the determination of capital gains, the sale price shall be understood to mean the contract price or the market price as determined by the competent tax office, if it finds that the contract price is lower than the market one. The purchase price shall be understood to mean the price for which the taxpayer concerned has acquired the right, share or security, determined according to Law. The purchase price shall be increased by the retail price growth rate from the date of acquisition to the date of sale, as published by the republic authority dealing with statistics, and, in the case of real estate, it shall be reduced on the basis of depreciation calculated by applying the proportionate method at the rate set in the nomenclature of assets for depreciation.

In the case of securities quoted on the stock exchange, the purchase price shall be understood to mean the price the taxpayer documents as actually paid and if not documented, the lowest registered quotation in the year preceding the sale of securities. In the case of securities not quoted on the stock exchange, the purchase price shall be understood to mean the price the taxpayer documents as actually paid and if not documented, their par value.

Companies

Capital gain shall be understood to mean any revenue a taxpayer realizes by selling or transferring in some other way against compensation the following:

- 1) Right of ownership to real estate;
- 2) Intellectual property rights;
- 3) Shares in the assets of legal entities, shares and other securities.

A capital gain shall be the difference between the sale price of rights, shares and securities and their purchase price adjusted in accordance with the provisions of the Law; if the difference is negative, it is a capital loss.

For the purposes of the present Law, in the determination of capital gains, the sale price shall be understood to mean the contract price or the market price as determined by the competent tax office, if it finds that the contract price is lower than the market one. The purchase price shall be understood to mean the price for which the taxpayer concerned has acquired the right, share or security, decreased for depreciation.

If the price at which property was acquired is not declared in the taxpayer's books or is not declared in conformity with Law, the acquisition price to be taken for the purpose of determining the capital gain shall be its market price on the date of acquisition, as determined by the competent tax office.

Any capital gain shall be included in taxable profit in the amount set in the way referred in the CIT Law. Any capital loss incurred in the sale of a proprietary right may be offset with the capital gain made in the sale of another proprietary right in the same year. If a capital loss is declared even after the offsetting, it is permissible for it to be offset with future capital gains in the next 10 years.

Any take-over, merger or partition of a legal entity shall defer the commencement of tax liability on the basis of capital gains. The tax liability on the basis of capital gains shall run from the moment the legal entity that came into being by change of status sells the property taken over on the basis of such change of status. In that case any capital gain shall be calculated as the difference between the sale price of property and its acquisition price paid by the legal entity that had brought that property into the legal entity that came into being by the change of status, adjusted according to the CIT Law, from the date of acquisition to the date of sale. The right to the deferment of payment of corporate income tax on the capital gains shall apply if the owner of the legal entity which had transferred property on the occasion of take-over, merger or partition has received compensation in the form of shares or interest in the legal entity to which the property was transferred, as well as any compensation in cash, the amount of which is not greater than 10% of the par value of the obtained shares or interests. If the compensation in cash is greater than 10% of the par value of the obtained shares or interests, the tax liability on capital gain runs from the moment the change of status is made and the capital gain shall be calculated as the difference between the price at which the property could have been sold on the market and the acquisition price referred to in Law.

Taxes on Capital



Gift and Inheritance Tax

Gift and inheritance tax is paid when ownership rights and other rights related to real estate are inherited by heirs or received by donees as a gift. Inheritance and gift tax shall also be paid on money inherited or received as a gift, savings deposits, bank deposits, monetary claims, intellectual property rights, interests in a legal entity, securities, right of ownership to a second-hand motor vehicle or second-hand vessel and other chattel. Gift tax shall also be paid in case of the transfer of a legal entity's property without compensation.

Taxpayer of a gift and inheritance right can be a resident or a non-resident of the Republic of Serbia, in the following situations:

- Taxpayer is a resident or a non-resident of the Republic who inherits or receives as a gift the right in relation to real estate existing in the territory of the Republic;
- Taxpayer is a resident of the Republic who inherits or receives as gift the right in relation to a movable property existing in the territory of Serbia or abroad;
- Taxpayer is a non-resident of the Republic who inherits or receives as a gift the right in relation to an object existing in the territory of the Republic.

Taxpayers who are in the second order of succession according to the legal order of succession in relation to the decedent or donor (spouse, children, parents and siblings) shall pay inheritance and gift tax at the following rates:

Tax base	Payable tax
Up to RSD 300,000	2%
Over RSD 300,000	RSD 6,000 + 2.5% of the amount in excess of RSD 300,000

The taxpayers that are in the third and any subsequent order of succession in relation to the decedent or donor or the taxpayers that are unrelated to the decedent or donor shall pay inheritance or gift tax at the rate of 2.5%.

Tax Exemptions

Inheritance and gift tax shall not be paid on the money inherited or received as a gift, savings deposits, bank deposits, monetary claims, intellectual property rights, interests in a legal entity, securities, right of ownership to a second-hand motor vehicle or second-hand vessel and other chattel, if the individual market or nominal value of the object of taxation or individual amount is smaller than RSD 9,000.

Other Taxes



Social Security Contributions

Type of contribution	Employee 2008	Employer 2008	Threshold 2008	Ceiling 2008
Pension and disability insurance	11%	11%	35% of the monthly average salary paid in the previous quarter, determined quarterly by the Republic statistical body	Fivefold monthly average salary determined by the Republic statistical body at the beginning of each month
Unemployment insurance	6.15%	6.15%		
Health care insurance	0.75%	0.75%		
Total	17.9%	17.9%		



Value Added Tax

	Rate	Applied to
Standard rate	18%	Taxable supplies of goods and services which are not subject to a reduced rate
Reduced rate	8%	Agricultural goods, certain kinds of food, fruits, vegetables, text books and teaching aids, medications, personal computers, daily newspapers, firewood, accommodation services in hotels, motels etc.



Property Tax

The property tax is applicable to the following rights related to real estate: ownership rights, usufruct, the right of use and the right of occupancy, the right to use property on the basis of time sharing and the right to lease a dwelling or a residential building (in accordance with the laws on housing), the right to use urban construction land of over 1,000 square meters surface.

Immovable property owned by legal entities is taxable at the rate of 0.40% applied to book value of the real estate on 31 December of the previous tax year, for the taxpayer who keeps business books.

For the taxpayer who does not keep business books, tax rates for property tax are progressive and they are as follows:

Tax base	Payable tax
Up to RSD 6,000,000	0.4%
Between RSD 6,000,000 and RSD 15,000,000	RSD 24,000 + 0.8% of the amount in excess of RSD 6,000,000
Between RSD 15,000,000 and RSD 30,000,000	RSD 9600 + 1.5% of the amount in excess of RSD 15,000,000
Over RSD 30,000,000	RSD 321,000 + 2% of the amount in excess of RSD 30,000,000

If the tax base is smaller than RSD 400,000, there is no liability for property tax.

There are also tax relieves which reduce the tax liability in following cases:

Tax relieves	Reduction of payable tax
Tax on a building or apartment where taxpayer lives with members of his/her household	By 40% for the taxpayer and 10% for each member of household, but no more than 70%
Tax on a building or apartment where taxpayer's members of household live	By 10% for the member of household, but no more than 30%
Tax on a housing building or an apartment where persons over 65 years of age live (apartments up to 60 m2)	By 75%

Absolute rights transfer tax

The property transfer tax is levied on the transfer of ownership rights on real estate, intellectual property, shares in legal entities and securities. The taxpayer is the seller, i.e. the entity/person transferring the ownership rights.

The tax base is the contracted price. If tax authorities estimate that the contracted price is lower than the market value, the tax shall be levied on the market price determined by tax authorities.

Description	Tax rate
Transfer of real estate and other taxable property	2.5% of tax base
Transfer of shares/stakes in legal entities and securities	0.3% of tax base

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