

Tax News

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The new rulebooks on the application of the Value Added Tax Law are published and entered into force. More details on the amendments are explained below.

Rulebook on form, content and manner of keeping VAT records and content of overviews of VAT calculation

The Minister of Finance passed the Rulebook on Amendments of Rulebook on form, content and manner of keeping VAT records and content of overviews of VAT calculation (hereinafter: "**POPDV Rulebook**"). POPDV Rulebook was published in the "Official Gazette" of the Republic of Serbia no. 48/18 on 22nd June and is applicable as of July 1st 2018.

The most important amendment of POPDV Rulebook refers to the Article 23 which prescribes that in the period from July 1st 2018 ending June 30th 2019, in tax audits Tax Authority will not consider inaccuracies reported in VAT calculations which have no impact on the final amount of the VAT liability.

Also, the new POPDV Form was published, with minimal differences compared to the previous one. One of the most significant changes relates to the table 4, which shows data on the special procedure for taxing tourist services and used goods, and the changes relates to a new manner of providing data on advances.

Rulebook on determination of cases in which there is no obligation for issuing invoice and on invoices in which certain data cannot be omitted

Rulebook on determination of cases in which there is no obligation of issuing invoice and on invoices in which certain data cannot be omitted (hereinafter: "**Rulebook on invoices**") was published in the "Official Gazette" of the Republic of Serbia no. 52/18 on July 6th, and entered into force on the day following its publication.

The new Rulebook on invoices has amended certain provisions regarding the issuance of invoices in the following areas:

- the supply of goods and services free of charge;
- the supply of goods and services deemed to have been performed abroad;
- transfer of all or part of the asset in accordance with the Article 6 Paragraph 1 Point 1) of the Value Added Tax Law (hereinafter: „the VAT Law“);
- the supply of goods and services that the taxpayer performs in the framework of the realization of the public-private partnership contract with the elements of the concession, in accordance with the Article 6a of the VAT Law;
- the supply of services directly related to the services referred to in the Article 5 Paragraph 3 Point 1) of the VAT Law (transfer, assignment and granting of use of copyright and related rights, patents, licenses, trademarks, and other intellectual property rights).

Rulebook on the manner and procedure for exercising tax exemptions for VAT with right to deduct input VAT

Tax exemptions for exports of goods

Rulebook on the manner and procedure for exercising tax exemptions for VAT with right to deduct input VAT (hereinafter: "**Rulebook on tax exemptions**") stipulates that in situations when export custom clearance of goods is done in one tax period, while the customs authorities' certificate confirming that goods have left the territory of Serbia is issued in another tax period, as well as the incurred tax treatment at such situation. In previously described situation, the export is exempted from the VAT in case the taxpayer owns export declaration.

However, if the export of goods is carried out in one period, but the customs authorities' certificate confirming that goods have left the territory of Serbia is not issued even in the first following tax period, the taxpayer has a liability to calculate VAT and submit an amended tax return for the period in which export custom clearance was performed.

Tax exemptions in case of entrance goods into a free zone

Rulebook on tax exemptions specifies that the taxpayer who performs the supply of goods, or the recipient of goods, the tax debtor in accordance with the VAT Law, is exempted from the VAT if it possesses:

- the invoice from the supplier of goods which are entering the free zone, certified by the competent customs authority or:
- the certified copy of the declaration which confirms that the goods have entered the free zone in accordance with customs regulations.

VAT exemptions for supply performed by taxpayer to a foreign entity in a free zone

The conditions for tax exemption with the entitlement to deduct input tax is prescribed for supply of goods that enter a free zone, for supply of services related to entry of goods into a free zone and supplies performed by VAT payer in a free zone to a foreign entity.

Should you require any additional information or clarification in relation to application of new Rulebooks, as well as support with implementation of the newly introduced amendments, please do not hesitate to contact us via e-mail or phone.

Ruling of the Ministry of Finance regarding calculation and payment of tax and social contributions in case the director does not receive any compensation for his/her engagement

On 11th June 2018 Ministry of Finance has published official ruling with respect to calculation and payment of tax and contributions in cases when director is engaged without establishing an employment with legal entity.

Previous standing that compensation received by the director for his/her work is recognized as other income is confirmed by the respective ruling.

However, when issuing the ruling, Ministry of Finance has referred to the Ministry of Labor, Employment, Veterans' and Social Affairs (hereinafter: „**Ministry of Labor**“) in order to verify if director could give up on compensation for his/her work. The Ministry of Labor has stated that everyone has the right on fair compensation for work and it is not allowed to give up on such rights. Consequently, the standing of the Ministry of Labor is that the director cannot perform his/her work without compensation.

Having in mind the above said, the Ministry of Finance has stated that agreed compensation that the individual receives for performing work under provisions of agreement on rights and duties of director, without establishing the employment, is subject to calculation and payment of personal income tax on other income at the tax rate of 20% (the tax base is the gross income reduced by 20% of on the basis of standardized costs) and accompanying contributions for mandatory social insurance.

We are hoping that you will find this information useful and therefore please do not hesitate to contact us should you need any further explanations.

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