



Tax News

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Organization for Economic Co-operation and Development releases guidance on synthesized texts

On 14 November 2018 the Organization for Economic Co-operation and Development (hereinafter: „**the OECD**”) published the Guidance for the Development of synthesized texts (hereinafter: “**the Guidance**”) for providing clarity on the impact of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (hereinafter: “**the Convention**”).

The release of the Guidance intends to ensure that interested parties can prepare synthesized texts in a consistent manner. Synthesized texts also provide comprehensive information to taxpayers, auditors, advisors and other users on when the modifications will have effect in each jurisdiction.

Several jurisdictions have already started preparing synthesized texts on the basis of the Guidance, taking into account their own publication requirements and practices.

The Law on Amendments to the Corporate Income Tax Law was adopted

The Law on Amendments to the Corporate Income Tax Law was published in the "Official Gazette of the Republic of Serbia" no. 95/18 on 8 December 2018, and is applicable as of 16 December 2018.

Most of proposed amendments shall apply for determination of tax liability for FY 2019, but specific once shall apply to determine corporate income tax for FY 2018.

Details of amendments will be closely regulated by relevant rulebooks.

An overview of the most significant changes is provided below.

A change in the calculation methodology of tax depreciation

- New depreciation rules will be applicable to fixed assets acquired as of 1 January 2019, i.e. from the first day of the tax period starting in fiscal year 2019, whereas the rules from the prior law version will be applicable to the assets acquired before the indicated period.
- The rules for determination of tax depreciation of fixed assets classified into II-V depreciation groups (acquired until 31/12/2018), from the prior law version, will be applicable at the latest on 31/12/2028.
- The degressive method for calculating tax depreciation of fixed assets classified into depreciation groups II-V is abolished. Depreciation of all fixed assets is carried out on a straight line basis.
- Going further, depreciation of investment property that is measured at fair value after the initial recognition is determined by applying 2.5% rate to the purchase value.
- Depreciation of intangible assets is recognized as an expense in the amount of accounting depreciation.

Recognition of marketing and advertising costs

- The limitation on the recognition of marketing and advertising costs is abolished. This means that marketing and advertising costs will be fully recognized for tax purposes.

Incentives for realized research and development costs are introduced

- The new Article 22g introduces an incentive regarding recognition of expenses that are directly associated with research and development performed by a tax payer in the Republic of Serbia in a doubled amount.

Tax exemption of a part of the income generated by a taxpayer as a copyright or related right holder on the basis of the compensation for its usage

- Qualified income generated by the copyright or related rights holder on the basis of the compensation for using copyright work in escrow or the subject matter of related rights, can be exempted from the tax base in the amount of 80% of the income generated in such manner.

Tax credit for equity investment in a newly incorporated company performing innovation activity is introduced

- A tax credit is introduced for those taxpayers that make equity investment in a newly incorporated company performing innovation activity. The amount of tax credit is 30% of the indicated equity investment. Also, special conditions in terms of what a newly incorporated company performing innovation activity is considered to be are prescribed, as well as issue of entities whose investments may be qualified for being entitled to a tax credit.

Tax credit for paid capital gain tax in a foreign country is introduced

- A taxpayer that paid capital gain tax on the basis of property sale in a foreign country may reduce the corporate income tax paid in the Republic of Serbia for the amount of tax paid in that foreign country.

The Laws on Amendments to the Personal Income Tax Law and Law on Mandatory Social Security Contributions were adopted

The Laws on Amendments to the Personal Income Tax Law and Law on Mandatory Social Contributions were published in the Official Gazette of the Republic of Serbia no. 95/18 on 8 December 2018, and is applicable as of 16 December 2018.

The most important amendments refer to the following:

The Law on Amendments to the Personal Income Tax Law

- It is additionally prescribed what is considered to be non-resident's income sourced in the Republic of Serbia.
- Amendments concerning taxation of income from securities received from the employer or the entity related with the employer have been made.
- The new Article 18a introduces new tax exemption from salary tax on employer's expenses for recreation of employees, for organization of sports events and activities of employees categorized as team building, as well as conditions needed to be fulfilled in order to realize an entitlement on this tax exemption.
- The new Article 84b introduces new category of other income that is paid according to the solution. It is about income from providing accommodation in home craft facilities and domestic country households for up to 30 days and in the accommodation facility regardless of the days.
- The non-taxable amount related to games of chance was increased from RSD 11,684 to RSD 100,000.00 per month

- Provisions of the Article 87 concerning annual personal income tax have been expanded.

Most of the amendments should apply as of the moment law comes into force.

The Law on Amendments to the Law on Mandatory Social Security Contributions

- A term of founder's, i.e. members' of the company work is reduced. Namely, work is considered to be the representation of the company on the basis of registration.
- The obligation to pay social security contributions for unemployment on behalf of employer at the tax rate of 0.75% is abolished.
- There are also changes in terms of determination and use of minimum and maximum monthly amount of the contribution base.
- Most of the amendments will be enforced from 1 January 2019.

Electronically registration of foreigner's residence is introduced

Registration of foreigner's residence on the territory of Serbia may execute citizens who host foreigners by registering them on:

- The residence address of the citizen;
- On the other address citizen - this is the address of the immovable owned by the respective citizen.

This possibility is available to citizens registered on eUprava portal with the qualified electronic signature.

New average prices per square meter for the purposes of determining the property tax for FY 2019 are published and the Decision on Amendment of Decision on the property tax rate is adopted

On the meeting held on 30 November 2018, the Belgrade City Assembly announced new average prices per square meter for the purpose of determining the property tax and adopted The Decision on amendment of Decision on the property tax rate.

In comparison to the previous year, the newly-introduced average prices are slightly different, as it is shown in the table below:

in RSD						
Zone	building land		business buildings and other (above ground and underground) building facilities used for business operations		garages and garage lots	
	2018	2019	2018	2019	2018	2019
First zone - extra business zone	62.010	63.205	342.870	342.395	101.490	103.601
First zone - extra residential zone	70.100	69.483	228.380	226.448	83.770	85.544
Zone 1	62.010	63.205	264.030	262.863	85.460	87.200
Zone 2	25.180	25.620	191.820	190.034	61.170	62.400
Zone 3	8.620	8.815	127.410	127.054	45.370	46.358
Zone 4	3.710	3.776	105.720	103.892	33.140	33.682
Zone 5	2.820	2.874	95.150	93.217	27.630	28.021
Zone 6	1.660	1.686	77.210	75.023	23.460	23.564
Zone 7	1.140	1.110	59.270	59.140	18.590	18.780
Zone 8	785	760	41.790	40.920	14.480	14.510
Green zone 1	17.247	15.956	168.752	167.251	50.554	51.532
Green zone 2	1.601	1.608	68.355	67.075	21.040	21.219
Entry direction zone	7.188	7.314	130.025	128.549	41.828	42.615
Specific purpose zone	1.195	1.185	59.423	58.361	18.843	18.951

The Decision on amendment of Decision on the property tax rate stipulates that the amount of property tax for FY 2019 for immobility of tax payer that does not maintain business books cannot be increased more than 2% compared to obligation for the previous year.



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