



Tax News

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Audit / Tax / Advisory / Risk / IT

Information regarding annual personal income tax for FY 2018

Taxpayers of the annual personal income tax are residents (for income obtained on the territory of Serbia and worldwide) and non-residents (for income realized on the territory of Serbia) who, in FY 2018, obtained the income in the amount higher than triple amount of average income in Serbia – **RSD 2,470,644**.

Taxpayers who obtained taxable income between RSD 2,470,644 and **RSD 4,941,288** (sixfold amount of average income) are obliged to calculate and pay tax at a rate of 10%, while the rate of 15% is applicable for the taxable income which exceeds RSD 4,941,288 (only for the amount which exceeds the taxable amount of RSD 4,941,288).

Further, the personal deductions are calculated in percentage related to the average annual salary paid in 2018:

- For taxpayer – in the amount of RSD 329,419;
- For dependent family members – in amount of RSD 123,532.

The deadline for submission tax return for annual personal income tax for income generated in 2018 is 15 May 2019. The tax return has to be submitted on PPDG-2R form in hardcopy or electronically.

Crowe RS will be at your disposal if you have any additional questions or in case you need our assistance regarding the said tax liability.

Tax treatment of the compensation for employees' commuting costs

With respect to the official ruling of the Ministry of Finance on the compensation for employee's commuting costs, we are of the opinion that such cost should be recognized in tax balance sheet, due to the fact it is mandatory for the employer to compensate to its employees these costs amounting to price of ticket in public transport. In regards with mentioned ruling, we are of the opinion that there is only a question whether paying this compensation would be employees' salary (on which tax and contributions should be paid) or compensation of costs on which only tax should be paid (not contributions), if compensation of this cost is not documented properly (it should be delivered by the employee – monthly tickets, bill for fuel, taxi bill, etc.). There are arguments pro and contra these two tax treatments. Of course, we could talk about such tax treatment only if compensation of these costs is not documented properly by employees, i.e. in case employee does not deliver relevant documentation to employer and justify that he/she actually used such received funds for covering commuting costs.

The Labor Law recognizes only obligation of the employer to compensate commuting costs (and does not precise manner of transport). On the other side, the Personal Income Tax Law prescribes only non-taxable amount of compensation. Hence, we are of the opinion that documenting this cost could be performed, through taxi bill, bill for the fuel, and not only through payment of card for public transport. Of course, there rules should be regulated precisely and in detail in relevant internal act (e.g. The Labor Rulebook or similar). More detailed internal regulations would mean to define clearly: maximum amount of costs that employer would compensate (amount may be higher than amount of monthly card in public transport – employer's choice), the list of individuals having entitlement on compensation for commuting costs, i.e. the list of employees, is there a criterion when the employee does not have the entitlement on compensation for commuting costs having in mind the distance between place of residence and work place (e.g. he/she lives across work place or he/she lives in place not farther than one bus station), manner of documentation of costs (what is employee obliged to deliver as evidence – mentioned taxi bills, bills for the fuel, train ticket etc.). It is important to emphasize that mentioned opinion was issued in the period when rulings of the Ministry of Finance were mandatory for competent tax authorities, so in the meantime there was no changes in provision of relevant laws.

We understand that there are systems with a huge number of employees and significant employees' fluctuation, we are of the opinion that statements of employees given under criminal and material responsibility that received funds are used to cover their costs, may be used for this purpose, with a bit higher risk than if taxi bills or bills for the fuel are delivered.

Support for such standing is previously issued ruling of the Ministry of Finance no. 011-00-00016/2016-04 as of 7 June 2016 that confirms that the list of employees is credible document for this cost.

Having in mind that the respective ruling deviates from the previously issued rulings of the Ministry, we expect that there will be reactions of companies on this issue and we will keep you informed in case of any changes.

Published interest rates for intercompany loans

The Ministry of Finance has enacted the Rulebook on "arm's length" interest rates for FY 2019 which was published on official Gazette No. 13/2019.

Please find enclosed the prescribed interest rates for companies, banks and other leasing companies:

- Banks and Financial Leasing:

Type of transaction	Interest rates for FY 2019
short-term RSD loans	2,72%
EUR loans and RSD loans denominated in EUR	3,64%
USD loans and RSD loans denominated in USD	5,05%
CHF loans and RSD loans denominated in CHF	2,98%
SEK loans and RSD loans denominated in SEK	3,91%
NOK loans and RSD loans denominated in NOK	4,25%
GBP loans and RSD loans denominated in GBP	1,92%
RUB loans and RSD loans denominated in RUB	1,41%

- Companies:

Type of transaction	Interest rates for FY 2019
short-term RSD loans	4,98%
long-term RSD loans	5,69%
short-term EUR loans and RSD loans denominated in EUR	2,71%
long-term EUR loans and RSD loans denominated in EUR	2,90%
long-term CHF loans and RSD loans denominated in CHF	7,61%
short-term USD loans and RSD loans denominated in USD	3,08%
long-term USD loans and RSD loans denominated in USD	4,12%



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Relying on both international expertise and the local office strength, Crowe RS approaches its clients in a comprehensive and responsible way. We strive to develop and improve our services and expertise every day. We invest in tomorrow because we know smart decisions build lasting value for our clients, people, and profession.

Established by Horwath & Horwath in 1915, for almost 100 years, Crowe has been making smart decision for multinational clients working across borders.

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