



# Tax News

## Changes in tax legislation

October 2019

### In this issue:

- Draft Law on Amendments to the Personal Income Tax Law
- Law on Amendments to the VAT Law
- Draft Law on Amendments to the Law on Tax Procedure and Tax Administration

## Draft Law on Amendments to the Personal Income Tax Law

The Ministry of Finance has published the Draft Law on Amendments to the Personal Income Tax Law (hereinafter: **“the PIT Law”**), and further below is an overview of the most significant amendments.

By the suggested amendment to the Article 85 of the PIT Law the independence test is being introduced. The purpose of this test is to determine if an individual is engaged as the sole-proprietor or as an individual who does not perform independent activities.

Namely, personal income tax should be calculated in case 5 out of 9 below listed criteria are met:

1. The employer determines working hours, vacation and leaves for the sole proprietor and the remuneration paid to the sole proprietor is not decreased proportionally for time spent on vacation;
2. Sole-proprietor performs jobs in employer’s premises and uses its equipment;
3. The employer manages work processes;
4. The sole-proprietor is engaged through the public announcement;
5. The sole-proprietor performs work along with other sole-proprietors, engaged by the same employer;
6. At least 70% of revenues of the sole-proprietor during the twelve months period is obtained from the same employer;
7. The sole-proprietor does not carry business risks for the job performed for the employer’s client;
8. Sole-proprietor is not allowed to work for other entities or individuals;
9. The sole-proprietor performs activities with remuneration for the same employer at least for 130 days within 12 months period;

Therefore, if 5 of the 9 criteria were met, the income generated by the payer would be considered as other income and would be subject to the corresponding taxes and social security contributions.

Along with the introduction of the independence test (in order to mitigate the effects), it was proposed to implement certain incentive measures related to the employment of newly employed persons:

1. persons who were not employed during the period from 1 January to 31 December 2019 and who entered into employment in the period from 1 January to 30 April 2020;
2. persons who were not employed or engaged in business as sole proprietor in the period from 1 January 2019 to 30 April 2020, and who entered into employment in the period from 1 May to 31 December 2020.

By employing individuals described above, employers are released from the payment of the following amounts of taxes and contributions for pension and disability insurance, if all requirements are met:+

1. 70% of taxes and 100% of social security contributions – for salaries paid in the period 1 January – 31 December 2020;

2. 65% of taxes and 95% of social security contributions – for salaries paid in the period 1 January – 31 December 2021;
3. 60% of taxes and 85% social security contributions - for salaries paid in the period 1 January – 31 December 2022;

Further, the amendments to the PIT Law introduced the notion of a newly-registered tax payer. A newly-registered tax payer is individual who fulfills one of the following two conditions:

- 24 months prior to the conclusion of the employment contract, did not mainly reside in Serbia and monthly salary exceeds RSD 145,104;
- At the time of the conclusion of the employment contract, the person is under 40 years of age, and in the period of 12 months before the conclusion of the contract, mainly spent at least one year outside of the territory of Serbia for education or professional training and monthly salary exceeds RSD 217,656.

The tax base for the newly-registered tax payer is reduced by 70% for the salary they earn on the basis of a contract of employment for a period of 5 years from the date of conclusion of that contract: na neodređeno vreme;

- for indefinite duration;
- with a qualified employer (tax resident of Serbia, no affiliate with the previous employer of the newly-registered payer);
- if it requires special professional education which is not easily found in the domestic labor market.

Further, a newly established company carrying out an innovation activity may exercise the right on exemption from payment of taxes on the earnings of the founders employed by that company:

- within a period of 36 months from the date of incorporation;
- for the salary of each founder up to the amount of RSD 150,000 per month;

Predložene su i izmene uslova i formula za utvrđivanje osnovice kao i pravo, način i rokovi u vezi sa podnošenjem zahteva za paušalno oporezivanje.

Amendments are proposed to the conditions and formulas for determining the tax base, as well as the right, manner and deadlines related to the application for flat-rate taxation.

All sole proprietors on flat – rate taxation that carry out the same predominant activity are placed in the same groups, and the starting base is determined by the average monthly earnings per employee, which is multiplied by the number of employees in a given territory and by the coefficient of activity, and then shares with the population in the same territory. There are also elements that reduce or increase the starting point.

The amendments will come into force on January 1, 2020, except for changes regarding the employer performing the innovation activity, which will be applicable as of March 1, 2020.

## **Law on Amendments to the VAT Law**

The National Assembly of the Republic of Serbia passed the Law on Amendments to the VAT Law on 7 October 2019.

The main novelty introduced by the Law on Amendments to the VAT Law is introducing the value vouchers. The added articles added the notion of value vouchers, classification into single-purpose and multi-purpose vouchers as well as tax treatment of the sale of goods and services on the basis of the transfer of these vouchers.

The key feature of single-purpose vouchers is that at the time of their issue, the place of delivery or service and the amount of VAT is known, while multi-purpose vouchers represent all other vouchers.

In order to avoid any doubt, these instruments that entitle the holder to obtain a discount on the purchase of goods or services, but do not include the right to purchase these goods or services, as well as transport tickets, tickets, postage stamps, etc. shall not be considered as value vouchers.

Furthermore, the rule on determining the taxpayer is specified more precisely, and the obligation to register foreign entities as VAT payers is introduced even when they trade goods and services for which is prescribed a tax exemption with the right to deduct input VAT.

In addition, one paragraph has been added stating that if the permanent residence and residence of the provider or recipient of the service are not in the same place, the place of supply of service is determined according to the place of residence.

The part relating to the division of input VAT on pro rata basis determines in more details which turnover of goods and services is not included in the percentage of the proportional input VAT and prescribes that when the determined percentage of the proportional input VAT is at least 98%, the taxpayer is not obliged to divide input VAT.

Finally, if the taxpayer reports a higher amount of VAT than it owes when performing supply of goods and services, it is obliged to pay so reported VAT. However, the taxpayer will have the right to correct the amount of VAT, if it has issued a new invoice with corrected VAT and if, in addition, it obtains a document from the recipient of the invoice stating that the initially reported VAT was not used as input VAT.

## **Draft Law on Amendments to the Law on Tax Procedure and Tax Administration**

It is introduced that it is prohibited to the Business Registers Agency to register the change of data regarding the founder of the business entity if the new founder is at the same time the founder of another business entity that has been temporarily deprived from TIN because of illegal business activities i.e. outstanding tax liability.

In addition, the proposed amendments to the law provide that banks are obliged, at the request of the Tax Authority and within a reasonable time, to deliver electronically:

- data on the balance and turnover on current accounts and savings deposits of taxpayers - legal entities, entrepreneurs and individuals;
- deposits of taxpayers - legal entities;
- numbers of current accounts and savings deposits of taxpayers - individuals and the name of the bank that manages them.

Also, the draft law introduces the possibility to deliver tax act to the taxpayer electronically via the Tax Authority portal, as well as the possibility of informing via a unique electronic mailbox. In the case of delivery of the tax act in electronic form through the website of the Tax Authority, it is considered that it is delivered as of the day of posting it to the website.



**For more information  
please contact:**

**Crowe RS d.o.o.**  
Member Crowe Global

Majke Jevrosime 23  
11 000 Belgrade

T: +381 11 655 85 00

E: office@crowe.rs

**Bogdan Đurić**  
Managing Partner  
bogdan.djuric@crowe.rs  
T +381 60 60 61 200

**Vladimir Deljanin**  
Senior Manager / Tax  
vladimir.deljanin@crowe.rs  
T: +381 64 80 37 175

**Pavle Ristić**  
Senior Manager / Tax  
pavle.ristic@crowe.rs  
T: +381 64 17 33 243

## About us

Crowe RS is one of the leading accounting and consulting firms in Serbia, and direct member of Crowe Global. Ranked the eighth largest accounting network in the world, Crowe Global has over 180 independent accounting and advisory firms in more than 130 countries.

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.

The text contained herein is solely for the information purposes and therefor should not be construed as any advice, opinion or recommendation. We will not accept any liability or responsibility for any loss whatsoever sustained by any party that relies on this publication. Readers should seek professional advice before making any financial and/ or business decision.

Crowe RS d.o.o. is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe RS d.o.o. and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Global or any Crowe member.