

BDK Newsletter

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SERBIA: TAX

Amendments to the Law on Corporate Income Tax¹ and the Law on Personal Income Tax²

CORPORATE INCOME TAX (CIT)

Amendments to the CIT Law now permit that the financial year may differ from the calendar year, subject to the approval of the Ministry of Finance in each particular case. This flexibility is advantageous to foreign investors from countries where financial year does not necessarily match calendar year.

Formerly, capital gains incurred by non-resident legal entities from the sale of real estate, IP rights or shares in Serbian companies were taxed in Serbia only if the purchaser was a Serbian legal entity. Taxation was in that case on a withholding basis. Following the amendments, non-resident legal entities are obliged to declare to the Serbian tax authorities the said capital gains and pay capital gains tax, at the rate of 20%, even if the purchaser is a non-resident entity or an individual (whether resident or non-resident).

The proceeds of sale of investment units of open investment funds are now subject to capital gains tax.

Period within which losses and capital losses may be carried forward has been reduced from 10 to 5 years.

Marketing expenditures are now capped at 5% of total revenues, whereas representation expenses are capped at 0.5% of total revenues. Formerly, the aggregate cap on marketing and representation expenses was set at 3% of total revenues.

The provisions on tax grouping have also been amended. It is now provided that losses incurred by a member of a group cannot be offset against taxable profits of the same member in the current tax period.

PERSONAL INCOME TAX (PIT)

Eleven months ago, Serbian lawmakers increased effective tax rate on dividends from 10% to 16%. The applicable rate has now been reduced back to 10%. Capital gains tax rate is also reduced, from 20% to 10%.

The amendments to the PIT Law now specify that salaries of local personnel employed with UN agencies in Serbia are tax-free. This provision legalizes a long-standing factual situation.

Per diems have so far been recognized as expense only if paid to employees. The amendments extend this benefit to directors who are not formally employed but serve under management contracts and are taxed in the same manner as employees, and to personnel engaged on a temporary basis.

With respect to annual income tax, residents and foreigners working in Serbia are now treated equally – the non-taxable base of foreigners has been reduced to match the one applicable to residents.

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1 Zakon o porezu na dobit pravnih lica ("Službeni Glasnik RS" br. 25/01, 80/02, 43/03, 84/04 i 18/10)

2 Zakon o porezu na dohodak građana ("Službeni Glasnik RS" br. 24/01, 80/02, 80/02- dr. zakon, 135/04, 62/06, 65/06, 31/09, 44/09, 18/10)