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### SERBIA: TAX

As part of the financial stabilization package accompanying the latest arrangement struck between the Serbian Government and the IMF, the Serbian Parliament amended several tax laws with the aim of increasing the budget intake. The new amendments came into force on 8 May 2009.

#### PERSONAL INCOME TAX (PIT)

The amendments to the Law on PIT manly increase tax burden on citizens, by abolishing or reducing certain tax exemptions.

Under previous legislation, only 50% of dividend generated by residents was taxed. This percentage is now increased to 80%.

Formerly tax exempt compensation paid to workers of up to EUR 200 per year of employment as part of the privatization process, is now subject to taxation.

By virtue of the amendments, the entire remuneration of a foreigner working in Serbia is now taxable, whereas prior to the change in law, up to 35% of gross remuneration could have been exempt from income tax if it represented cost related to the foreigner's abode in Serbia.

Expense recognized for the purpose of tax deduction on income generated from authorship work is now reduced. Whereas prior to the amendments 40% to 60% of gross royalty received represented the tax base, recognized expense now ranges from 20% to 30%. On the other hand, actual expenses incurred by the author (such as fees paid to agents) can now be added to the statutory recognized expense.

The Law on PIT now contains new rules on capital gain tax payable on income generated from the sale of shares or other capital participations that were inherited or received as a gift.

The deadline for reinvestment of the proceeds of sale of immovable property for the purpose of resolving one's housing status, which derogates the obligation to pay capital gains tax, has been increased from 60 days to 90 days. Furthermore, the tax payer who makes the reinvestment after the expiry of the 90-day period but within 12 months from of the sale can claim tax refund.

#### "LUXURY" TAX

Tax is imposed on ownership of boats, whereas tax on ownership of airplanes and cars is increased. Finally, the use of mobile phones is again regarded as luxury - new usage tax equals to 10% of the invoice amount.

## **EXCISE TAX**

Amendments to the Law on Excise Tax have increased excise tax on petrol, diesel, liquid oil gas, cigars and cigarettes (imported and domestically produced).

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