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**SERBIA: TAX / DERIVATIVES**

**Opinion of the Tax Authority**

In 2007, the Serbian Tax Authority opined that the amount payable by resident to non-resident under interest rate swap is regarded as payment of interest subject to withholding tax at the rate of 20% (unless there is a DTT providing otherwise). The Tax Authority does not recognize netting in this case and holds that withholding tax applies to gross amount due by Serbian resident to non-resident.

In a recent opinion, the Tax Authority expanded the scope of applicability of withholding tax in the domain of OTC derivatives, by essentially holding that the premium payable by resident to non-resident under interest rate option is economically equal to payment of interest and therefore subject to withholding tax.

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