

BDK

Advokati

Tax

Serbia Imposes New Withholding Tax and Expands the Scope of Deductibles

FEBRUARY 2016

New withholding tax

As of 1 March 2016, payments to non-resident legal entities for services provided or used in Serbia will be exposed to a new withholding tax, at the rate of 20%. This new tax applies unless the DTT between Serbia and the country of the service provider says otherwise. Non-resident companies having intra-group arrangements with their Serbian affiliates, as well as foreign consultants rendering services to Serbian clients, amongst others, should verify whether there is a DTT in place overriding this new provision of the Serbian corporate income tax law.

Another related novelty is that withholding tax on Serbian-sourced income from services, royalties, rental of real estate and chattels and interest applies not only when the debtor makes the payment voluntarily but also when the proceeds are collected from the debtor in enforcement proceedings.

Salary deductibles

Starting from 1 January 2016, salaries are recognized as deductibles in the tax period in which they are actually paid and not in the tax period in which the obligation arose.

Tax incentives for banks to dispose of NPLs

Liabilities written-off that were previously recorded as income could have been so far recognized as deductibles only if the debtor was sued or the claim against it was registered in bankruptcy. New provisions now permit all creditors to treat as deductibles the liabilities written-off as a result a haircut effected in the debtor's pre-packed reorganization plan confirmed by the court. Furthermore, banks may now treat non-performing loans extended to non-related parties as a deductible, provided the loan is more than two years overdue and the bank has documentary proof of the debtor's inability to pay. Part of the secured loan that is not settled from the proceeds obtained through the sale of collateral can also be written-off and treated as a deductible expense. Finally, loss incurred as a result of the sale of a receivable for discount is also recognizable as a deductible in the tax period in which the receivable is sold. The new regime on deduction of claims written-off applies from 1 January 2016.

BDK Serbia**BDK Montenegro****BDK Bosnia and Herzegovina****(Advokat Dijana Pejić u saradnji
sa BDK Advokati AOD)**Majke Jevrosime 23
11000 BelgradeTel: +381 11 3284 212
Fax: +381 11 3284 213office@bdkadvokati.comBul. Džordža Vašingtona 51
81000 PodgoricaTel: +382 20 230 396
Fax: +382 20 230 396office.cg@bdkadvokati.comGundulićeva 6
78000 Banja LukaTel: +387 51 250 641
Fax: +387 51 250 642office.banjaluka@bdkadvokati.com

© Copyright BDK Advokati