

## SERBIA: TAX

### Estate Tax Increase

The Serbian Parliament voted the amendments to the Law on Property Taxes<sup>1</sup>, effective as of 1 January 2011, significantly increasing the estate tax rates applicable to individuals. The additional burden on citizens is driven by direct increase of tax rates, as well as by reduction of certain tax deductions and tax credits.

The tax rates affecting individuals are changed as follows:

Amendments:

Tax base	Tax rate
(1) Up to RSD 10,000,000 (approx. EUR 95,000)	Up to <sup>2</sup> 0,40 %
(2) RSD 10,000,000 – 25,000,000 (approx. EUR 95,000 – 238,000)	Tax from point 1 + up to 0,6% applied on the amount exceeding RSD 10,000,000
(3) RSD 25,000,000 – 50,000,000 (approx. EUR 238,000 – 477,000)	Tax from point 2 + up to 1,0% applied on the amount exceeding 25,000,000
(4) Over RSD 50,000,000 (approx. EUR 477,000)	Tax from point 3 + up to 2,0% on the amount exceeding 50,000,000

Prior legislation:

Tax base	Tax rate
(1) Up to RSD 6,000,000 (approx. EUR 58,000)	Up to 0,40 %
(2) RSD 6,000,000 – 15,000,000 (approx. EUR 58,000 – 143,000)	Tax from point 1 + up to 0,8% applied on the amount exceeding RSD 6,000,000
(3) RSD 15,000,000 – 30,000,000 (approx. EUR 143,000 – 286,000)	Tax from point 2 + up to 1,5% applied on the amount exceeding 15,000,000
(4) Over RSD 30,000,000 (approx. EUR 143,000)	Tax from point 3 + up to 3,0% on the amount exceeding 30,000,000

Prior legislation specified that the tax base was determined by the local municipalities as market value of the relevant real estate. The amendments have deleted the references to market value.

Tax deductions and credits that were available to individuals are significantly reduced. The previously applicable annual depreciation rate of 1,5% is halved to 0,8% and the 40% ceiling on depreciation is imposed. Furthermore, personal tax deduction applicable if the tax payer lives in the taxed property, which could under the previous legislation reach 70% of the total tax obligation, is now capped at neglectable RSD 20,000 (approx EUR 190).

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<sup>1</sup>

<sup>2</sup> The exact tax rates within the cap prescribed by the law is determined by local municipalities.

# BDK Newsletter

**BOJOVIĆ · DAŠIĆ · KOJOVIĆ**  
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The estate tax regime applicable to legal entities remains unchanged – corporates are subject to a flat rate of up to 0.4% of the book-value of the relevant property.

Whereas previously only lease on construction land was subject to estate tax, this type of tax now also captures lease of state-owned agricultural land. The applicable rate is up to 0.3% for individuals and up to 0.4% for legal entities.

Ownership by individuals of construction land is subject to a new flat rate that may be up to 0.3% of the value of the land, replacing the progressive tax rate that ranged from 0.4% up to 3% of the market value. Legal entities owning construction land remain subject to the 0.4% rate.

The new estate tax regime applies from 2012. With respect to 2011, the estate tax will be imposed on individuals at the maximum rate of 0.3% for rights on construction and agricultural land, and 0.4% for the remaining immovable property.

A positive aspect of the amendments is that they expressly confirm that conversion of the right of use or leasehold on construction land into ownership (such conversion is enabled by Law on Planning and Construction adopted in August 2009; see BDK Newsletter n. 11/09 at <http://www.bdklegal.com/upload/documents/newsletter/RealEstate/11-2009.PDF>) is not subject to transfer tax.

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