

Amended incentives for hiring new employees and social security contribution rates

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Starting 1 July 2014, a new set of rules regulating tax and social security incentives for employers hiring new employees will apply. Novelties were introduced by the Amendments to the Law on Social Security Contributions and the Amendments of the Law on Personal Income Tax (jointly referred to as “**Amendments**”), both adopted on 30 May 2014.

The Amendments envisage the possibility of partial refund of personal income tax and social security contributions paid on the salaries of newly hired employees. The aggregate amount of tax and contributions refund depends on the number of new employees: 65% for 1 - 9 new employees, 70% for 10 - 99 new employees, and 75% for employing 100 or more new employees.

The new incentive will apply in the period from 1 July 2014 until 30 June 2016, provided that: (i) if the employer was established prior to 31 March 2014, employment of new individuals results in the increase of the total number of employees working for the employer, compared to the status on 31 March 2014, (ii) the new employees are duly registered with the competent social security funds, and (iii) the new employees have been registered as unemployed with the National Employment Service for at least six months continuously (three months in case of apprentices) and have not generated any work-based income during that time.

The incentive does not apply if the new employees were previously employed by a person/entity related to the employer. Also, employers who already benefit from another employment incentive provided under the Serbian regulations (e.g. under the Regulation on Incitement of Employment) are not eligible for the incentives introduced by the Amendments. Finally, only private sector employers can benefit from the incentives.

The Amendments to the Law on Social Security Contributions also envisage a 2% reduction of the mandatory pension insurance rate and a simultaneous 2% increase of the mandatory health insurance rate. Hence, the overall burden on employers remains unchanged.

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