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COMPREHENSIVE IMMIGRATION AND TAX GUIDE TO RELOCATING TO WORK IN SERBIA

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I IMMIGRATION

I.1 Types of stay

A foreign national may stay in Serbia:

- (i) on a short-term stay, which can be visa-free or subject to a visa C (tourist visa) requirement;
- (ii) on the basis of a long-stay visa;
- (iii) on the basis of temporary residence; or
- (iv) on the basis of permanent residence status.

I.2 Visa-free stay

Serbia extends visa-free regime for short stay to citizens of a number of countries. The duration of permitted visa-free stay depends on the foreigner's citizenship but cannot in any event exceed 90 days within the 180-day period from the date of the foreigner's initial entry into Serbia. Information on eligible countries and permitted duration of visa-free short stay is available on the web site of the Serbian Ministry of Foreign Affairs.

I.3 Visa C (tourist visa)

Foreigners from certain countries need visa C to enter Serbia. The list of such countries is available on the web site of the Serbian Ministry of Foreign Affairs. Visa C is valid for a stay which does not extend beyond 90 days within the 180-day period that starts from the person's initial entry into Serbia. Visa C cannot be used as a basis to obtain temporary residence permit in Serbia.

Visa C application must be submitted to Serbia's diplomatic and consular office in the country of the applicant's residence. Exceptionally, foreigner can apply for visa C in a country in which they do not reside if they provide evidence of the urgency of the intended travel to Serbia. The application can be submitted in-person or online, depending on the country in which the application is being filed, no earlier than three months before the intended date of travel to Serbia.

Foreigner applying for visa C must have a passport that is not older than 10 years and is valid for at least three months beyond the planned date of departure from Serbia. The passport must contain at least two consecutive blank pages.

Visa application is processed within 30 days from presentation of complete documentation.

I.4 Visa D (long-stay visa)

Foreigner intending to stay in Serbia for permitted reasons for more than 90 days within the 180-day period following the first entry to Serbia need visa D or temporary residence permit.

Visa D can be issued, inter alia, on the following basis:

- (i) employment or out-of-employment relationship with a third-party employer;
- (ii) business ownership;
- (iii) real estate ownership;
- (iv) primary or high-school education or attendance of a Serbian language course;

- (v) university education;
- (vi) participation in a student international exchange program;
- (vii) professional specialization, training or internship;
- (viii) scientific research or other scientific educational activity;
- (ix) family reunion.

Importantly, foreigners subject to a visa C requirement must in fact obtain visa D if they intend to apply in Serbia for temporary residence permit.

Application for visa D must be submitted to Serbia's diplomatic and consular office in the country of the applicant's residence. Exceptionally, foreigner can apply for visa D in a country in which they do not reside if they provide evidence of the urgency of travel to Serbia. The application can be submitted in-person or online, depending on the country in which the application is being filed, no earlier than three months before the intended date of travel to Serbia.

Foreigner applying for visa D must have a passport that is not older than 10 years and is valid for at least three months beyond the planned date of departure from Serbia. The passport must contain at least two consecutive blank pages. Additionally, the applicant is required to present an invitation letter. The invitation letter issued by a natural person rather than a legal entity must be notarized by the public notary in Serbia.

Visa applications are processed within 30 days from presentation of complete documentation.

Based on visa D, a foreigner can reside in Serbia for a maximum of 180 days. Visa D that is issued on the basis from points (i) and (ii) above allows a foreigner to reside and work in Serbia.

Upon the expiration of the period for which the visa D is issued, foreigners intending to reside in Serbia for one of the reasons outlined in this section must obtain a temporary residence permit or an integrated residence and work permit, as elaborated under I.5. Foreigners who do not intend to reside in Serbia beyond the duration of the visa D for one of the reasons mentioned in this section after the expiration of visa D period can stay in Serbia for a short-term stay.

I.5 Temporary residence in Serbia and right to work

Foreigner intending to reside in Serbia for more than 180 days for one of the reasons referred to in Section I.4 must obtain, depending on the reason for the extended stay, either temporary residence permit or integrated residence and work permit. Temporary residence permit or, as the case may be, integrated permit, can be approved for up to three years and can be extended for the same period multiple times if the conditions for temporary residence are met.

Foreigner intending to temporarily reside in Serbia for more than 180 days can apply for integrated temporary residence and work permit on the basis of employment with a third party, professional specialization, training or internship, or on the basis of ownership of a controlling interest in a Serbian company or an entrepreneurship registered in the country.

Foreigner intending to temporarily reside in Serbia on other permitted grounds listed in Section I.4 can apply for temporary residence permit which, depending on the reason for the stay, may automatically give them the right to work in Serbia if they fulfil generally applicable conditions applicable to Serbian nationals.

When applying for temporary residence permit or, as the case may be, integrated permit, the foreigner's passport must remain valid for at least three months beyond the duration of the permit. The application for temporary residence permit can be submitted online or in person, while application

for integrated permit can be submitted exclusively online. It is possible to apply for both types of permits from abroad before the foreigner enters Serbia.

The statutory deadline for the issuance of Integrated permit is 15 days from the submission of complete documentation. Temporary residence permit is supposed to be issued within 30 days from the submission of complete documentation.

Both types of permits must be collected personally by the foreigner in question.

I.5.1 Integrated permit on the basis of employment or out-of-employment relationship with a third-party employer

The application for integrated permit for the purpose of establishing employment or an out-of-employment relationship (such as contract of service or vocational training) in Serbia is filed online by the foreign applicant, their future employer, or by their proxy under a power of attorney. Foreigners from the countries subject to the visa C requirement (see Section I.3) who intend to apply for integrated permit in Serbia must enter Serbia with visa D and apply for integrated permit from within Serbia. Foreigners from the countries not subject to the visa C requirement can apply for the integrated permit from their home country, i.e. they are not required to come to Serbia in order to file the application.

The application for integrated permit must be accompanied with a draft of the employment agreement or another agreement establishing an out-of-employment relationship, such as agreement for service. The foreigner is not allowed to commence work in Serbia until the integrated permit is issued.

Integrated permit is issued based on a draft agreement with a specific employer but it remains valid even if the foreigner changes employer, switches from one type of agreement to another or enters into additional employment or similar agreement during the validity of the integrated permit.

I.5.2 Integrated permit based on business ownership

A foreigner who intends to reside in Serbia for more than 90 days within a 180-day period that starts from their initial entry into Serbia, can obtain integrated residence and work permit in Serbia on the basis of having a controlling interest in a company registered in Serbia or registered entrepreneurship in the country. In this case, the foreigner undertakes to commence business activity within 90 days from receiving the integrated permit. This type of integrated permit gives the foreigner the right to work in Serbia for their own business.

The application for integrated permit must be accompanied with a certificate of the employer's registration with the Serbian Agency for Business Registers that maintains the Commercial Registry, and a proof of funds for stay in Serbia in the minimum amount that equals statutory minimum monthly salary in Serbia (currently approx. EUR 420) per each month of the planned stay.

I.5.3 Temporary residence permit based on real estate ownership

Foreigner can get temporary residence in Serbia on the basis of owning a residential building or an apartment in the country, provided they intend to actually reside in that property. Accordingly, owning real estate for the purpose of its commercial exploitation is not the basis for temporary residence in Serbia.

Foreigner can acquire ownership of a residential building or apartment in Serbia subject to factual

reciprocity between Serbia and the foreigner's home country¹.

An application for temporary residence permit based on ownership of real estate can be filed solely based on a notarized sale and purchase agreement. Accordingly, it is not necessary to be formally registered in the Real Estate Cadastre as owner.

Foreigner having temporary residence permit based on residing in the owned real estate in Serbia is entitled to work in Serbia subject to the same conditions that apply to Serbian nationals, without any additional work permit.

I.5.4 Temporary residence permit based on family reunion

Temporary residence on the basis of family reunion can be granted to a foreigner who is a close family member of a Serbian citizen or a foreigner with an approved temporary residence, permanent residence or asylum status in Serbia.

Close family members include:

- (i) spouse;
- (ii) common-law partner;
- (iii) children born in or out of wedlock, adoptees or stepchildren who are not older than 18 and are not married; and
- (iv) parents or adoptive parents of individuals who are not older than 18 and are not married.
- (v) exceptionally, under certain circumstances, the circle of close family members may be extended to include dependents who are more distant relatives or children older than 18.

When applying for temporary residence based on reuniting with a spouse, the applicant must submit the marriage certificate, while the applicant for the reunion with their common law partner must submit a single-status certificate and the statements of two witnesses confirming the existence of the common-law marriage. Serbia does not recognize same sex marriage or civil partnership for immigration purposes or otherwise.

For children and parents, respectively, birth certificates are required. When an underage applicant wishes to reunite with one of their parents and the other parent is not the applicant, the consent of such other parent is required.

Foreigner holding temporary residence permit based on family reunion is entitled to work in Serbia subject to the same conditions that apply to Serbian nationals, without any additional work permit.

I.6 Permanent residence

Permanent residence in Serbia can be granted to a foreigner who has continuously resided in Serbia for at least three years based on a temporary residence permit (unless temporary residence was approved for the purpose of pursuing education in Serbia). The requirement of continuous residence

¹ In the context of inter vivos acquisition of property rights over real estate in Serbia, reciprocity currently exists with the following countries: the United Kingdom, the United States of America, Netherlands, Japan, Argentina, Australia, Austria, Bahrain, Belize, Belgium, Belarus, Bosnia and Herzegovina, Brazil, British Virgin Islands, Bulgaria, Great Britain, Greece, Denmark, Dominican Republic, Egypt, Israel, Iran, Ireland, Italy, Japan, Armenia, South Africa, Jordan, Republic of Kazakhstan, Canada, China, Cyprus, Lebanon, Latvia, Lithuania, Liechtenstein, Luxembourg, Hungary, Malta, Morocco, Mexico, Moldova, Germany, New Zealand, Norway, Panama, Peru, Poland, Portugal, Russian Federation, Romania, Singapore, Syria, Slovakia, Slovenia, Turkey, Uzbekistan, Ukraine, Finland, France, Croatia, Montenegro, Czech, Republic Swiss Confederation, Sweden, Spain, United Arab Emirates, Azerbaijan, El Salvador, Qatar, Cuba, Senegal, Yemen, Georgia, Colombia, Republic of Korea, Sri Lanka, DPR Congo, Zambia and Algeria.

assumes that the foreigner has not been absent from Serbia for more than ten months in total and for more than six months in continuity, in each case within the relevant period of three years.

Permanent residence can be approved irrespective of the length of previous stay in Serbia if the applicant is a minor child of a parent who is a Serbian citizen or of a foreigner with permanent residence status in Serbia, or if the applicant is a foreigner of Serbian ethnic origin or a foreigner originating from Serbia.

Application for permanent residence can be filed in person or online. The permit is issued within 60 days from the filing of a complete application.

Permanent residence permit can be revoked if it is determined that the foreigner has moved out of Serbia or has continuously resided abroad for more than one year.

Foreigner with permanent residence in Serbia is entitled to work in the country subject to the same conditions that apply to Serbian nationals, without any additional work permit.

II TAXATION OF INDIVIDUALS RELOCATING TO SERBIA FOR WORK

Personal income tax regime depends on the type of income. In this publication, we address taxation of employment income, income from self-employment earned by registered entrepreneurs, income earned by non-registered individuals ("freelancers") and dividend income.

II.1 Salary

II.1.1 Regular regime

Serbian employer must withhold salary tax at the rate of 10% from the tax base. Tax base is equal to the gross monthly salary stipulated in the employment agreement less RSD 25,000 (approx. EUR 200²), which is the tax-exempt amount assuming the employee works full time. The employer must also withhold from the gross monthly salary (no deduction applies) social security contributions ("SSCs") at the aggregate rate of 19.9% and pay in addition SSCs at the rate of 15.5% applied on the gross salary. As of January 2024, the base for calculation of SSCs is subject to a monthly cap of RSD 573,470 (approx. EUR 4,880) and to an annual cap of RSD 6,881,640 (approx. EUR 58,660).

REGULAR REGIME OF SALARY TAXATION

- **Tax**
Base: monthly gross base salary reduced for approx. EUR 200
Tax rate: 10%
- **Social security contributions (SSCs):**
Base: monthly gross base salary (no deductions)
Aggregate rate: 35.05%
Monthly cap: approx. EUR 4,880
Annual cap: approx. EUR 58,660

II.1.2 Incentives for employing individuals who relocate to Serbia to work

There are two distinct tax incentives available to Serbian employers who employ qualified employees relocating to Serbia. One is in the form of tax base reduction and the other is in the form of

² All monetary amounts are given as of January 2024.

tax and SSCs refund. The two types of incentives cannot be cumulated with respect to the same employee.

II.1.2.1 Reduction of tax base

Reduction of tax base both for the purpose of salary tax and SSCs, equal to 70% of gross monthly salary of employees who qualify as "newly settled" in Serbia, is available if further conditions are satisfied. It applies after deduction for EUR 200 exempt from salary tax is applied first. In other words, only 30% of otherwise taxable monthly gross salary of "newly settled employee" is subject to salary tax and SSCs. This benefit results in take-home salary which is significantly higher compared to the regular regime.

An individual will be considered "newly settled" in Serbia for the purpose of this tax incentive if one of the following conditions is satisfied:

(vi) the individual has been residing predominantly outside Serbia for a period of 24 months prior to the date of entering into the employment agreement with a Serbian employer;

OR

(vii) on the date of entering into the employment agreement with a Serbian employer, the individual is below 40 years of age and has been residing, in the period of 12 months preceding the date of employment agreement, predominantly outside of Serbia for the purpose of attending educational or professional training programs/courses abroad.

Further conditions for this incentive are:

- (i) employment is concluded on indefinite-term basis;
- (ii) the individual relocating to Serbia must become tax resident of Serbia, i.e. must make Serbia "center of vital and business interests";
- (iii) the salary of the relocating employee must exceed the statutory threshold, which is adjusted on annual basis. The 2024 threshold with respect to "newly settled employees" from the first category (those relocating to Serbia after having predominantly lived abroad for at least 24 months prior to the employment in Serbia) is RSD 344,082 (approx. EUR 2,900). For the second

EMPLOYMENT TAX INCENTIVE 1 – REDUCED BASE

- **Eligible employees:**
 - residing predominantly outside Serbia during 24 months prior to entering into employment agreement OR
 - below 40 AND studying and residing predominantly abroad during 12 months preceding the date of employment agreement
- **Minimum salary:**
 - approx. EUR 2,900 OR
 - approx. EUR 1,950
- **Tax and SSC base: 30% of gross monthly salary previously reduced by approx. EUR 200**
- **Tax rate: 10%**
- **Aggregate SSC rate: 35.05%**
- **Duration of the benefit: max. 5 years**

category of “newly settled employees” (those who are younger than 40 and relocate to Serbia after having studied abroad for the most of the 12-month period prior to taking up employment in Serbia), the 2024 monthly gross salary floor is RSD 229,388 (approx. EUR 1,950).

This tax incentive, consisting of significant reduction in salary tax and SSCs base, can be used for a consecutive period of five years from the date when the “newly settled” employee enters into their first employment agreement with a Serbian employer. If the “newly settled employee” changes employer during the five-year period, the right to this tax incentive is carried forward to the new employer.

The tax incentive does not apply if the Serbian employer of the “newly settled” employee is a related party to any of the employee’s previous employers.

II.1.2.2 Refund of paid salary tax and paid SSCs

There is a distinct tax benefit for employers in Serbia which hire on indefinite-term and full-time basis, until 31 December 2024, individuals who have not spent more than 180 days in Serbia during the previous period of 24 months, if further conditions are met.

The benefit is in the form of refund of 70% of tax paid and 100% of SSCs paid on the salary of the qualifying employee. The benefit applies for a maximum period of 60 months and in any case expires on 31 December 2029. The refund is available upon the employer’s application. The employer may file a maximum of nine such applications per year. The application must be submitted between 15 and 30 September of the current year for the refund pertaining to salaries of qualifying employees paid in the preceding period of maximum 12 months.

EMPLOYMENT TAX INCENTIVE 2 – REFUND

- Eligible employees: individuals who have not spent more than 180 days in Serbia during 24 months prior to employment and are hired before 31 December 2024
- Minimum salary: approx. EUR 2,560
- Refund: 70% of salary tax paid and 100% of SSCs paid
- Duration of the benefit: 60 months max, expires on 31 December 2029
- Limit: max. 9 refund applications per year, to be filed in the second half of September
- Headcount maintenance condition applies
- Restriction on dividend distributions

The refund can be requested if the gross monthly base salary of the qualifying employee is at least RSD 300,000 (approx. EUR 2,560).

If after 31 December 2023 the employer reduces the overall number of its full-time, indefinite-term employees compared to the previous quarter, it loses the right to further refunds and is liable to repay the refund received for the year in which the decrease in the overall headcount has occurred.

During the period between the first application for a refund and the end of the year in which the last refund was received, the right to distribute dividends is limited to the aggregate amount of refund received in that period. A breach of this restriction on dividend distributions results in an obligation to repay all received refunds.

II.2 Income from self-employment

II.2.1 Business income

A foreigner who settles in Serbia may register as sole entrepreneur to pursue a commercial activity

(“Entrepreneur”).

Entrepreneur’s business income is subject to personal income tax at the rate of 10%, levied on annual profit determined in the annual income statement (profit and loss account) as adjusted for tax purposes.

Entrepreneur’s business income is also subject to SSCs at the aggregate rate of 35.05%. Individual rates are as follows:

- pension and disability insurance (PDI) – 24%;
- health insurance (HI)– 10.3%;
- unemployment insurance – 0.75%.

SSCs are levied on annual profit capped at RSD 6,881,640³, (i.e. approx. EUR 58,670) if Entrepreneur decides to declare no salary.

When Entrepreneur disburses money from their business account for private purposes, such disbursements are not taxed as dividend. However, they are not recognized as deductibles either.

II.2.2 Salary and business income

Alternatively, Entrepreneur may elect to declare a monthly salary, in which case SSCs are levied only on the monthly salary whereas the remainder of the income is considered business income not subject to SSCs. Entrepreneurs often make this election as it may result in significant reduction of overall tax burden.

II.2.3 Lump-sum taxation

Entrepreneur may request from the competent tax authority a permission to be taxed under special lump-sum taxation regime. Under this regime, tax and SSCs are not calculated on the actual profit stated in the annual income statement, but on a notional deemed amount, set by the tax authority and adjusted annually, which is based on several criteria, such as predominant line of busi-

SELF-EMPLOYMENT TAXATION REGIME 1 – BUSINESS INCOME

- Business income tax at the rate of 10% and SSCs at the combined rate of 35.05%

SELF-EMPLOYMENT TAXATION REGIME 2 – SALARY AND BUSINESS INCOME

- Monthly salary subject to salary tax of 10% and SSCs at the combined rate of 35.05%
- The remainder of the income is business income subject to tax at the rate of 10%

SELF-EMPLOYMENT TAXATION REGIME 3 – LUMP-SUM TAXATION

- Tax and SSC base: lump-sum annual income (as determined by the tax authority)
- Tax: 10%
- SSCs: combined rate of 35.05%
- Tax and SSCs payable in monthly instalments.

³ For 2024. It changes from year to year as it is the sum of the statistical average monthly salaries in a year.

ness, location of the premises, age, work experience, etc. Entrepreneur who qualifies for lump-sum regime is not required to keep accounting books.

Special lump-sum regime is not available to Entrepreneurs who engage in one of the following business activities:

- marketing, advertising and market surveying/research;
- wholesale and/or retail trade, hotel, restaurant business, financial intermediation and/or activities connected to real property.

The regime is not available to Entrepreneur who receive contractually-based third-party investments.

Once Entrepreneur' turnover generated within a calendar year hits the ceiling of RSD 6 million (approx. EUR 51,150), they no longer qualify for lump-sum taxation regime. Entrepreneur registered as VAT payer does not qualify for the lump-sum regime either.

II.2.4 Taxation of Entrepreneurs who fail “independent contractor test”

“Independent contractor test” applies to both Entrepreneurs who keep accounting books and Entrepreneurs who benefit from lump-sum taxation regime. The test is passed if the answers to at least five out of nine questions formulated by the Personal Income Tax Act is negative.

Entrepreneur who fails the test is not considered an independent contractor with respect to the client in question and is subject to higher taxation. The income received from the corporate domestic client vis-à-vis whom the Entrepreneur is not an independent contractor is taxed on a withholding basis at the rate of 20% and no deductions apply. Furthermore, the client has to calculate and withhold pension and disability insurance contribution at the rate of 24%, subject to an annual cap on SSCs (which is, as of January 2024, equal to RSD 6,881,640 or approx. EUR 58,670). When the client is a non-resident, the Entrepreneur who has failed the test is obliged to self-declare and pay tax and pension and disability insurance contribution at the higher rates stated above.

TAXATION OF INCOME IN CASE INDEPENDENT CONTRACTOR TEST IS NOT SATISFIED

- Tax base: income from a particular client
- Tax: 20%
- PDI: 24%

II.3 Freelancers

The term “freelancer” refers to an individual who earns income from non-resident clients without being registered as Entrepreneur, on the basis of a contract for service or by exploiting an IP right such as through licensing out a software. Freelancers pay tax and SSCs by self-assessment on a quarterly basis.

Freelancers can elect to be subject to one of the following two tax regimes.

II.3.1 Option 1

Taxable income is gross income earned in a quarter less quarterly standard deduction of RSD 103,296 (approx. EUR 880). The applicable tax rate is 20%. The applicable rate of PDI contribution is 24% and the base is equal to the taxable income. Health insurance contribution must be paid at the rate of 10.3% (the minimum base being RSD 51,612 or approx. EUR 440) only if the freelancer is not otherwise covered by mandatory health insurance.

II.3.2 Option 2

Taxable income is gross income earned in a quarter less the sum of the following two quarterly standard deductions: (i) RSD 62,300 (approx. EUR 530) and (ii) 34% of gross quarterly income. The applicable tax rate is 10%. The applicable rate of PDI contribution is 24%, and it is levied on the higher of taxable income and minimum base equal to RSD 120,429 (approx. EUR 1,020). Health insurance is levied on the higher of taxable income and minimum base equal to RSD 51,612 (approx. EUR 440), at the rate of 10.3%, but only if the freelancer is not otherwise covered by mandatory health insurance.

TAXATION OF FREELANCERS – OPTION 1

- Taxable income is quarterly income less the standard deduction of approx. EUR 880;
- Income tax at the rate of 20% and PDI contribution at the rate of 24%;
- Health insurance contribution (if applicable) – 10.3% (minimum base is approx. EUR 440).

TAXATION OF FREELANCERS – OPTION 2

- Tax and SSCs base: quarterly income less standard deductions equal to the sum of approx. EUR 530 and 34% of the quarterly income;
- **Tax rate: 10%**
- PDI rate: 24% (the minimum base being approx. EUR 1,020);
- HI rate (if applicable): 10.3% (the minimum base being approx. EUR 440).

II.4 Dividends

Corporate income tax rate is 15%. Taxable income is determined in the financial accounting (income statement) subject to adjustments required under the Corporate Income Tax Act⁴.

A company which is tax resident of Serbia must withhold and remit dividend tax at the rate of 20% when disbursing the dividend to a non-resident entity. In case dividend is disbursed to an individual, whether such individual is Serbian resident or not, the applicable dividend tax rate is 15%. When a double taxation treaty applies, dividend tax rate is usually 5% (when the non-resident shareholder is an entity holding at least 25% of the shares capital of the Serbian company disbursing the dividend) or 15% (when the non-resident shareholder is an individual or an entity that holds less than 25% of the shares in the entity disbursing the dividend).

II.5 SSCs payable on deemed income when individual shareholder is at the same time non-paid director in the Serbian company

Serbian company that has an individual sole shareholder who is at the same time the company's director but does not receive any salary or management fee from the company, must nevertheless calculate and pay pension and disability insurance contribution at the rate of 24% and health insurance contribution at the rate of 10.3% on a monthly minimum base which is as of January 2024 set at RSD 40,143 (approx. EUR 340).

⁴ Zakon o porezu na dobit pravnih lica (“Official Gazette of the Republic of Serbia, No. 25/2001, with the last amendment published in 118/2021).

II.6 Annual personal income tax

Annual personal income tax ("Annual PIT") is a supplementary tax levied on the aggregate annual income from various sources such as employment, self-employment and certain other categories of income (but not dividend and capital gains).

Annual PIT is levied if the qualifying aggregate income earned within the relevant calendar year exceeds three average annual salaries in Serbia as per official statistics (for 2023, this threshold was RSD 4,269,564 or approx. EUR 36,430).

For the purpose of calculation of Annual PIT base, annual gross income from different sources is taken into account net of tax and SSCs already paid throughout the year at the time when the relevant income was disbursed. With respect to income earned from sources outside of Serbia, foreign tax paid on such income can be deducted. If the resulting net annual income exceeds the threshold, only the excess is subject to Annual PIT.

Certain deductions apply, such as personal deduction, deduction for spouse and children, and special deduction for taxpayers below 40 years of age who are employed or registered as Entrepreneurs.

Annual PIT rate is progressive. For income earned in 2023, a 10% rate applied on the income between RSD 4,269,564 (approx. EUR 36,430) and RSD 8,539,128 (approx. EUR 72,870), whereas 15% rate applies on the income exceeding RSD 8,539,128 (approx. EUR 72,870)⁵.

In case the taxpayer has invested in shares or investment units of an alternative investment fund established in Serbia in the relevant year, up to 50% of such investment will be recognized as a tax credit and the Annual PIT obligation will be reduced for that amount up to 50% of total Annual PIT liability for the relevant year.

II.7 Tax residence in Serbia and taxation of non-residents

II.7.1 Tax residence

Tax residence means that an individual has strong ties with a certain country over a certain period of time, which allows that country to tax such individual's global income ("worldwide taxation"). Generally, an individual becomes Serbian tax resident in a given fiscal year if they acquire domicile in Serbia or Serbia becomes their centre of vital and business interests in the course of that year, or if they spend in Serbia more than 183 days in any consecutive 12-month period starting or ending in the given year. If the foreigner entering Serbia is certain at the time of the entry that they will establish domicile or centre of vital and business interests in Serbia in the year of the entry, or that they will stay in Serbia for a period longer than 183 days in the 12-month period following the entry, they become tax resident of Serbia immediately upon the entry. This will typically be the case if the foreigner comes to Serbia with the intention to work on an indefinite-term basis for a Serbia-based employer or pursue a commercial activity as Entrepreneur for a period exceeding 6 months.

Double taxation may arise when both Serbia and some other country regard the same individual as its tax resident. This can happen e.g. if a national of one country relocates to Serbia but retains a domicile in the other country. In that case, Serbia can claim that the individual is its tax resident because it has domicile, or has spent more than 183 days within 12 months, in Serbia. The other country can claim the individual is its tax resident because of formal domicile. Such conflicts are resolved by the application of double taxation treaty in place between Serbia and the individual's home country, if any. In most of Serbia's double taxation treaties, an individual who has domicile 5 Annual thresholds are updated in February for the previous year.

in both countries is deemed tax resident of the country which is the centre of the individual's vital interests because of the location of close family members, place where children go to school, place where property is located, etc.

A foreigner can get Serbian tax residency certificate if the foreigner's home country has a double taxation treaty with Serbia. The certificate can be obtained on the basis of, inter alia, the following documents (originals or notarised copies are required): (i) passport (with the expiry date which is more than 6 months from the application date); (ii) temporary residence permit for stay in Serbia granted for a period longer than 6 months (with the issue date not being "older" than 6 months from the application date); (iii) certificate of registration of residence issued by the police; (iv) valid employment agreement with a Serbia-based employer or agreement or other document proving that the employee is seconded to work in Serbia; (v) a lease agreement for a dwelling in Serbia (or proof of ownership in case the applicant owns property).

To eliminate or mitigate international double taxation of its tax residents, Serbian national tax law recognizes "foreign tax credit": if Serbian tax resident earned a particular income abroad which was taxed at source, that income is included in the base for calculation of Serbian tax liability (under the "worldwide taxation" principle), but the amount of the foreign tax paid on such income can be deducted from the amount of the Serbian tax liability up to the amount of tax that would have been calculated on that income under Serbian tax rules. National rules on "foreign tax credit" apply regardless of whether there is a double taxation treaty in place between Serbia and the source country.

II.7.2 Taxation of non-resident's Serbian-sourced income

II.7.2.1 Taxation of non-resident's employment income

Serbia has the right to tax Serbian-sourced employment income earned by non-residents who perform work in Serbia for a limited period of time. Income from work performed in Serbia is deemed to have its source in Serbia regardless of where is the income paid. However, pursuant to its double taxation treaties, Serbia will not have the right to tax non-residents' income from the work performed in Serbia if the following three conditions are met cumulatively:

- (i) the employee has not spent more than 183 days in any 12-month period in Serbia; and
- (ii) the employment income is paid by an employer which is not a tax resident of Serbia; and
- (iii) the cost of the employee's salary is not borne by the employer's permanent establishment in Serbia.

II.7.2.2 Taxation of non-resident's income from professional services and other independent personal services

Professional services and other independent personal services are services provided in the context of independent professions such as lawyers, physicians, dentists, architects, engineers, accountants, business consultants, teachers, writers, scientists, personally and not through an entity, irrespective of whether the individual is registered as Entrepreneur or not. Foreigner who provides such service in or from Serbia for a short period of time is not likely to become tax resident of Serbia on that basis. Nevertheless, Serbia has the right to tax such income to the extent the income can be attributed to a "fixed base" the individual maintains on the Serbian territory. "Fixed base" is a place such as office, hotel room, apartment, meeting room or alike which is available to the individual for use on a regular basis for the purpose of providing the service. Some of Serbia's double taxation treaties require that such "fixed base" is maintained for a period of at least 183 days within a calendar year. Some other double taxation treaties provide that Serbia has the right to tax income from independent personal services provided in or from Serbia even if the non-resident service provider has no "fixed base" in Serbia but is present in Serbia for 183 or more days in any 12-month period

or in a tax year.

When Serbia has the right to tax income earned by non-residents providing professional services or other independent personal services in or from Serbia, the tax base is equal to gross income sourced in Serbia which is reduced by 20% standard deduction, while the applicable tax rate is 20%. SSCs are due at the rate of 24% (pension and disability insurance) and 10.3% (health insurance). Income tax and SSCs on the income are withheld by a Serbian resident entity which is the payor of the income. When professional or other independent personal service is provided from Serbia to clients who are non-resident legal entities or individuals (whether residents or non-residents), the service provider is taxed in the same manner as resident “freelancer” (see I.2.3 for taxation of “freelancers”).

II.7.3 Social security treaties

Bilateral social security treaties ensure coordinated application of national social security laws of the treaty countries to individuals who are subject to such laws and who relocate from one treaty country to another for the purpose of employment or provision of professional or other independent personal services. In particular, social security treaties contain rules on the applicability of national social security laws to certain cross-border workforce mobility situations.

The basic principle is that social security laws of the country in which employment is constituted or professional or other independent personal services provided, apply to the individual in question. However, a number of treaties have an exception for seconded employees (i.e. employees employed in a foreign country and sent by their foreign employer to work in Serbia for a certain limited time) and individuals who carry out professional and other independent personal services. The exception ensures that the social security laws of the foreigner’s home country remain applicable to the foreigner for a certain period of time after their relocation to Serbia (most commonly for the first 24 months in case of seconded employees and first 12 months in case of professional and other independent personal services providers). Under most of the treaties, this period can be extended in case of unforeseen circumstances, subject to the consent of the relevant Serbian authorities. This practically means that during the exempted period, no SSCs are payable in Serbia on Serbian-sourced income of such individuals.

II.7.3.1 Serbia’s double taxation treaties and social security treaties

As of January 2024, Serbia has double taxation treaties with the following 64 countries:

Albania	Korea (Republic of)
Armenia	Kuwait
Austria	Latvia
Azerbaijan	Lithuania
Belgium	Luxembourg
Belarus	Lybia
Bosnia and Herzegovina	Macedonia
Bulgaria	Malta
Canada	Moldova
China	Montenegro
Croatia	Morocco
Cyprus	Netherlands
Czech Republic	Norway
Denmark	Pakistan
Estonia	Poland
Egypt	Romania
Finland	Russian Federation
France	San Marino
Georgia	Singapore
Germany	Slovakia
Greece	Slovenia
Hungary	Spain
Hong Kong	Sri Lanka
Israel	Sweden
India	Switzerland
Indonesia	Tunis
Ireland	Turkey
Italy	UAE
Iran	UK
Japan	Ukraine
Kazakhstan	Vietnam
Korea (DPR)	Qatar

As of January 2024, Serbia has social security treaties with the following 33 countries and one sub-sovereign jurisdiction:

Austria	Libya
Azerbaijan	Luxembourg
Belgium	Hungary
Bosnia and Herzegovina	Northern Macedonia
Bulgaria	Germany
Montenegro	Norway
Czech Republic	Panama
Danmark	Poland
Greece	Romania
France	Russia
The Netherlands	Slovak Republic
Croatia	Slovenia
Italy	Switzerland
Canada	Sweden
Quebec	Tunisia
China	Turkey
Cyprus	The United Kingdom

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