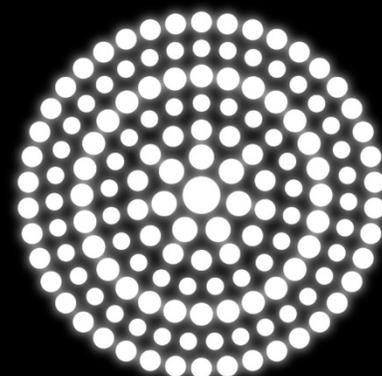


## International Tax Serbia Highlights 2021

Updated January 2021



### Investment basics

**Currency:** Serbian Dinar (RSD)

**Foreign exchange control:** Foreign exchange is regulated by the Foreign Exchange Law. Payments must be documented for funds to be transferred abroad and foreign loans must be registered with the central bank.

**Accounting principles/financial statements:** IAS/IFRS applies. Financial statements must be prepared annually.

**Principal business entities:** These are the joint stock company, limited liability company, general/limited partnership, socially and publicly owned company, and branch of a foreign company.

### Corporate taxation

#### Rates

<b>Corporate income tax rate</b>	15%
<b>Branch tax rate</b>	15%
<b>Capital gains tax rate</b>	15%/20%

**Residence:** A legal entity is considered resident if it is incorporated in Serbia or managed or controlled from Serbia.

**Basis:** Resident entities are taxed on their worldwide income; nonresidents are taxed only on income generated in Serbia. Branches of nonresident companies broadly are taxed in the same way as subsidiaries, with certain exceptions (e.g., interest and royalty expenses arising from a loan granted to the branch by its nonresident head office are not deductible for corporate income tax purposes in Serbia, and, generally, payments made by a branch to nonresidents are not subject to withholding tax; see “Withholding tax,” below).

**Taxable income:** Taxable income includes both business income and capital gains. The taxable base is calculated in the tax balance sheet, based on the profit and loss account adjusted for tax purposes.

**Rate:** 15%

**Surtax:** There is no surtax.

**Alternative minimum tax:** There is no alternative minimum tax.

**Taxation of dividends:** Dividends paid by a Serbian-resident company to another Serbian company are exempt from corporate income tax. Dividends received by a Serbian resident company holding at least 10% of the shares in a nonresident company for one year are eligible for a credit for foreign tax paid on the dividends.

**Capital gains:** Capital gains derived by resident companies are included in the annual income tax return and are subject to tax at 15%. Capital gains derived by nonresidents from the sale of Serbian assets (real estate, shares, and investment units) are taxed by means of an assessment and are subject to tax at 20%, unless otherwise provided under the terms of a relevant tax treaty.

**Losses:** Net operating losses may be carried forward for five years. Capital losses may be carried forward and offset against capital gains for five years. The carryback of losses is not permitted.

**Foreign tax relief:** A tax credit is available for foreign tax paid, limited to the amount of Serbian tax payable on the foreign income.

**Participation exemption:** See “Taxation of dividends,” above.

**Holding company regime:** There is no holding company regime.

**Incentives:** A 10-year corporate income tax incentive (tax credit) is available for large investors that invest over RSD 1 billion in fixed assets and hire an additional 100 employees on permanent contracts during the period of the investment.

Nonprofit organizations are exempt from income tax under conditions prescribed by law.

Expenses directly related to qualifying R&D activities performed in Serbia are eligible for a double deduction.

Under Serbia’s intellectual property box regime, 80% of qualified income received by a taxpayer for the use of registered copyrights, patents, or related rights (but not from a disposal of the rights) may be excluded from the corporate income tax base.

A taxpayer (other than a start-up company) that invests in the capital of a newly established company that performs innovative business activities (start-up) may be entitled to a tax credit of 30% of the investment. The tax credit applies only to fully paid-up monetary contributions and the taxpayer must not reduce the amount invested for at least three years.

## Compliance for corporations

**Tax year:** The tax year is the calendar year but may be shorter than 12 months where activities start or terminate during a calendar year, or there is a change in the status of the entity. A taxpayer may opt for a tax year different from the calendar year (subject to approval from the competent authorities).

**Consolidated returns:** Resident companies may elect group status and file a consolidated return. Companies are considered a group where one company (parent company) owns, directly or indirectly, at least 75% of the shares of another company. The parent company files a consolidated tax return in which gains and losses of group companies are offset, and each company pays its share of the tax (determined in proportion to taxable income). Once elected, tax consolidation must be applied for at least five years.

**Filing and payment:** Serbia operates a self-assessment regime. Advance corporate tax is payable in monthly installments. A tax return must be filed and the balance of tax due paid within 180 days after the end of the tax period for which the tax return is filed. Shorter deadlines (generally 60 days after the end of the tax period) may apply in cases of liquidation, mergers, etc.

**Penalties:** Penalties may be imposed for failure to comply with the provisions of the Law on Tax Procedure and Tax Administration. Entities also may be prohibited from carrying out their activities. Interest is charged on tax paid late and underpayments of tax.

**Rulings:** The Ministry of Finance issues rulings at the request of the taxpayer. A ruling is binding on the tax authorities.

## Individual taxation

Rates	
	Rate
Individual income tax rate	10%/15%/20%
Capital gains tax rate	0%/15%

**Residence:** An individual is considered resident for income tax purposes if the individual has a registered permanent domicile or center of business and vital interests in Serbia or stays in Serbia for at least 183 days in a 12-month period commencing or ending in the tax year concerned.

**Basis:** Serbian residents are taxed on their worldwide income; nonresidents are taxed only on Serbia-source income.

**Taxable income:** The principal taxable forms of personal income are employment income, self-employment income (from registered entrepreneurship), income from capital (dividends, interest, and income from investment in an open investment fund), capital gains (e.g., from the sale of shares in a legal entity or from the sale of real estate), rental income, royalty income, and other income.

Residents whose annual net income exceeds three times the Serbian annual average wage for the tax year also are subject to complementary annual income tax under the worldwide system. Nonresidents' earnings are subject to complementary annual income tax if their Serbia-source income exceeds the same threshold.

**Rates:** The personal income tax rate depends on the type of income. The rates are 10% for employment income (salary) and self-employment income (entrepreneurs); 15% for income from capital; and 20% for rental income, income from royalties, and other income.

Complementary income tax is levied at progressive rates of 10% and 15% on net income in excess of prescribed thresholds. The 10% rate applies to net income in excess of three times the Serbian annual average wage and up to an additional six annual average wages (i.e., up to nine annual average wages in total), and net income in excess of the 10% rate threshold is subject to a 15% tax rate.

**Capital gains:** Capital gains are taxed at a rate of 15%, with certain exemptions (e.g., for gains derived from the sale of assets owned by the individual taxpayer for at least 10 years).

**Deductions and allowances:** Personal allowances of fixed amounts are available for members of the taxpayer's family that are financially supported by the taxpayer only when complementary annual income tax applies.

**Foreign tax relief:** An ordinary tax credit is available for foreign tax paid, limited to the amount of Serbian tax payable on the foreign income.

## Compliance for individuals

**Tax year:** The tax year is the calendar year.

**Filing status:** Spouses are taxed separately; joint filing is not permitted.

**Filing and payment:** There are three different methods for tax compliance: withholding tax, self-assessment, and assessment by the tax authorities. Generally, local Serbian entities that pay income to individuals must withhold the tax due (other than on payments to entrepreneurs). Self-assessment applies where the payer does not have an obligation to withhold the tax, and for certain types of income. The individual must file a tax return and pay the tax due at the appropriate rate, depending on the type of income, within 30 days of receipt of the income. The tax authorities will issue an assessment for complementary annual income tax, capital gains tax, and with respect to entrepreneurs' lump sum income.

**Penalties:** Penalties may be imposed for failure to comply with the provisions of the Law on Tax Procedure and Tax Administration. Interest is charged on tax paid late and underpayments of tax.

**Rulings:** The Ministry of Finance issues rulings at the request of the taxpayer. A ruling is binding on the tax authorities.

## Withholding tax

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
<b>Dividends</b>	0%	15%	20%	15%
<b>Interest</b>	0%	15%	20%/25%	15%
<b>Royalties</b>	0%	20%	20%/25%	20%
<b>Fees for technical services</b>	0%	20%	20%/25%	20%

**Dividends:** Dividends paid by a resident legal entity to a nonresident legal entity are subject to a 20% withholding tax unless the rate is reduced under a tax treaty. A 15% withholding tax applies on dividends paid to an individual. Dividends paid to a resident company are exempt from withholding tax.

**Interest:** Interest paid by a resident legal entity to a nonresident legal entity or nonresident individual is subject to withholding tax at 20% or 15%, respectively, unless the rate is reduced under a tax treaty. The rate is increased to 25% for payments made to a legal entity resident in a jurisdiction with a preferential tax regime. A 15% withholding tax applies on interest paid to a resident individual; interest paid to a resident company is exempt from withholding tax.

**Royalties:** Royalties paid by a resident legal entity to a nonresident legal entity or nonresident individual are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. The rate is increased to 25% for payments made to a legal entity resident in a jurisdiction with a preferential tax regime. A 20% withholding tax applies on royalties paid to a resident individual; royalties paid to a resident company are exempt from withholding tax.

**Fees for technical services:** Fees paid by a resident legal entity to a nonresident legal entity or nonresident individual for the provision of accounting and auditing services, market research services, legal, and business consulting services are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. The rate is increased to 25% for payments made to a legal entity resident in a jurisdiction with a preferential tax regime. A 20% withholding tax applies to technical service fees paid to a resident individual; payments to a resident company are exempt from withholding tax.

**Branch remittance tax:** There is no branch remittance tax.

**Other:** Payments made by a resident legal entity to a nonresident legal entity for the lease of movable and immovable property located in Serbia are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. The rate is increased to 25% for payments made to a legal entity resident in a jurisdiction with a preferential tax regime.

A resident payer is obliged to withhold the tax due on payments made to nonresidents, file the withholding tax return, and remit the tax to the Serbian tax authorities within three days from the date of payment. Where a withholding tax exemption is available under an applicable tax treaty, the resident payer is not required to file a withholding tax return, but must have all the underlying documentation, including the recipient's tax residence certificate.

Payments made by a branch office to a nonresident legal entity for the lease of movable or immovable property located in Serbia are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. The rate is increased to 25% for lease payments made to a resident of a jurisdiction with a preferential tax regime. The nonresident entity must file a tax return and pay the tax due on the rental income received.

For payments made to individuals, the payer is obliged to withhold the tax due at the time of payment.

## Anti-avoidance rules

**Transfer pricing:** Transactions between related parties (as defined) must be at arm's length. There are specific documentation requirements, and transfer pricing reports must be submitted by the deadline for filing the corporate income tax return. Companies are considered related if one company can control or influence the business decisions of the other company (control/influence exists if the company holds at least 25% of the shares, stock, or votes in the governing body of the other company), or the same individuals can control or influence the business decisions of both companies. Individuals that have such control or influence also are considered related to the company, as well as their spouses, children, parents, etc.

As from the 2020 tax year, resident taxpayers that are the ultimate parent entities of international groups of related legal entities must submit country-by-country reports to the Serbian tax authorities.

**Interest deduction limitations:** Under the thin capitalization rules, interest and related expenses are deductible on loans that do not exceed four times equity for companies (10 times equity for banks and leasing companies). In addition, under the transfer pricing rules, a taxpayer must demonstrate that interest that is deductible under the thin capitalization rules is at an arm's length level; otherwise, an adjustment of taxable income may be required.

**Controlled foreign companies:** There are no CFC rules.

**Hybrids:** There is no specific anti-hybrid legislation.

**Economic substance requirements:** See "General anti-avoidance rule," below.

**Disclosure requirements:** There are no disclosure requirements.

**Exit tax:** There is no exit tax.

**General anti-avoidance rule:** There is a statutory general anti-avoidance rule based on the substance-over-form principle. Under this rule, the tax consequences of a transaction are governed by the actual underlying economic substance of the transaction.

## Value added tax

---

### Rates

Standard rate	20%
Reduced rate	0%/10%

---

**Taxable transactions:** VAT is levied on the supply of goods and services by a VAT-taxable person, and on imports of goods into Serbia.

**Rates:** The standard VAT rate is 20%. A 10% reduced rate applies to certain supplies, and certain supplies are zero-rated or VAT exempt.

**Registration:** The registration threshold for VAT purposes for local entities (subsidiaries and branches) is annual turnover of RSD 8 million. There is no prescribed threshold for foreign entities.

**Filing and payment:** Both monthly and quarterly taxpayers with taxable income exceeding RSD 50 million must file VAT returns and pay any VAT due for the previous period on or before the 15th day of the current period. Where the deadline falls on a non-business day, i.e., a weekend or public holiday, the deadline is postponed to the next business day.

VAT registered persons (both resident and nonresident) are required to submit the POPDV form relating to their VAT calculations with every VAT return.

## Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals and are imposed at the national level.

**Social security contributions:** The employer withholds social security contributions on behalf of its employees at rates of 14%, 5.15%, and 0.75% for pension and disability insurance, health insurance, and unemployment insurance, respectively. Social security contributions also are due by the employer at rates of 11.5% and 5.15% for pension and disability insurance, and health insurance, respectively.

**Payroll tax:** There is no payroll tax.

**Capital duty:** There is no capital duty.

**Real property tax:** For taxpayers that are legal entities or other taxpayers not deemed as individuals (such as branches of foreign companies) that follow IAS and IFRS fair value accounting, property tax is levied on immovable property located in Serbia at a rate of up to 0.4% of the fair market value of the property as of 31 December of the previous year. For other legal entities, fair market value is assessed based on the data published by the tax authorities, with certain exceptions ("catalogue value").

For individual taxpayers, tax is levied on the catalogue value of real estate at progressive rates ranging from 0.3% to 2%.

**Transfer tax:** A 2.5% tax applies on the transfer (sale) of real estate, intellectual property, used motor vehicles, and development rights over building land. The transfer of shares is exempt from transfer tax.

**Stamp duty:** There is no stamp duty. However, fees are charged by the competent authorities and/or notary when certifying documents relating to property transfers.

**Net wealth/worth tax:** There is no net wealth or net worth tax.

**Inheritance/estate tax:** Tax is levied on inheritances and gifts provided to individuals at rates of 1.5% or 2.5%, depending on the relationship to the deceased. However, no inheritance tax is imposed on beneficiaries related in the first degree to the deceased.

**Tax treaties:** Serbia has around 60 tax treaties in force. The OECD multilateral instrument entered into force for Serbia on 1 October 2018.

**Tax authorities:** Tax Administration, Customs Administration

Contact us:

**Marijana Pavlica**

Email: [mpavlica@deloittece.com](mailto:mpavlica@deloittece.com)

**Tatjana Milenkovic**

Email: [tmilenkovic@deloittece.com](mailto:tmilenkovic@deloittece.com)

**Filip Kovacevic**

Email: [fkovacevic@deloittece.com](mailto:fkovacevic@deloittece.com)

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organization") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 330,000 people make an impact that matters at [www.deloitte.com](http://www.deloitte.com).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organization") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2021. For information, contact Deloitte Global.