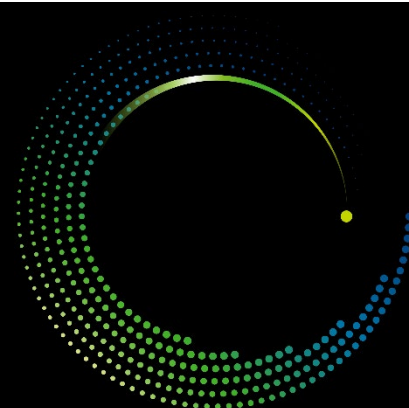


International Tax Serbia Highlights 2023

Updated January 2023



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 or limited partnership, socially and publicly owned company, and branch of a foreign company.

Corporate taxation

Rates

Corporate income tax rate	15%
Branch tax rate	15%
Capital gains tax rate	15% (residents)/20% (nonresidents)

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: The standard corporate income tax rate is 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 at least one year are eligible for a credit for foreign tax paid on the dividends (both corporate income tax and withholding tax paid). If the conditions regarding the percentage of shares and holding period are not met, a Serbian resident company may claim only a tax credit for foreign withholding tax paid on the dividends. The tax credit cannot exceed the amount of tax that would be paid on 40% of the gross income received in Serbia (at a 15% rate).

Capital gains: Capital gains derived by resident companies are included in the annual income tax return and are subject to tax at 15%. Only 20% of capital gains arising from the transfer of registered intellectual property (IP) rights is included in the corporate income tax base (i.e., 80% of such capital gains is excluded from the tax base). Taxpayers may opt to fully exclude from the tax base capital gains realized from contributing IP rights to the capital of a resident legal entity, provided that the acquired rights are not sold by the resident legal entity within a two-year period or transferred to a related entity at a price below the arm's length price during the same two-year period.

Capital gains derived by nonresidents from the sale of certain Serbian assets (real estate; shares, stock, and securities; and investment units) are taxed by means of an assessment and are subject to tax at a 20% rate, 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. An unutilized tax credit may be carried forward for five years.

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 research and development (R&D) activities performed in Serbia are eligible for a double tax deduction.

Under Serbia's IP 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. See "Capital gains," above for the treatment of capital gains derived from a disposal of registered IP rights.

A taxpayer (other than a start-up company) that invests in the capital of a newly established company that performs innovative business activities (a 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.

For taxpayers that have granted a concession to a private partner, income realized from the transfer of nonmonetary assets without consideration that was made by the private partner under the terms of the concession agreement may be excluded from the tax base in the tax period in which the income was recorded, provided that the estimated value of the concession amounts to at least EUR 50 million.

Capital gains realized on the sale of digital assets may be excluded from the tax base if proceeds generated from the sale of digital assets are invested in the same tax period in the share capital of a resident company or an investment fund whose center of business (i.e., investment activities) is in Serbia. Capital losses arising from the sale of digital assets may not be offset against capital gains if this incentive is claimed.

To increase employment, certain tax reliefs have been introduced or extended, including the following:

- Tax relief for the new employment of individuals who were enrolled with the national employment agency and individuals with a disability is extended until the end of 2023;
- Employment of entrepreneurs by small legal entities entitles the entities to a reduction in tax until the end of 2025;
- Employment of individuals who were not employed or engaged during the period from 1 January 2019 until 28 February 2022 and who are granted a salary above a certain threshold entitles the employer to a 70% reduction in the salary tax for those individuals until the end of 2024; and
- Employment of individuals for R&D jobs entitles the employer to a 70% reduction in the salary tax for those individuals for an indefinite period; however, the reduction is applicable only to the portion of salary that is related to the employee's R&D responsibilities.

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 where 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 on 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 per employee 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. For taxpayers under the age of 40, the annual tax base is further reduced by an amount equal to three times the Serbian annual average wage per employee paid in the year for which the tax is determined.

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 imposed 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 (six times the Serbian annual average wage for taxpayers under the age of 40) and up to an additional six annual average wages (i.e., up to nine annual average wages for taxpayers that are at least 40 years of age or 12 annual average wages for taxpayers under the age of 40, in total), and net income in excess of the 10% rate threshold is subject to a 15% tax rate.

To increase employment, certain tax reliefs have been introduced or extended. See "Incentives" under "Corporate taxation," above.

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, or gains arising from the exchange of shares or stakes that the taxpayer has in the transferring company exclusively for shares or stakes in the acquiring company if the exchange is made as part of a process of corporate reorganization).

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 capital gains tax, and with respect to entrepreneurs' lump sum income. Starting in 2023, complementary annual income tax will be reported via self-assessment rather than assessment by the tax authorities; however, this change has been introduced recently and it is currently unclear how the process will function.

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 on 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

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	15%	20%	15%
Interest	0%	15%	20%/25%	15%
Royalties	0%	20%	20%/25%	20%
Fees for technical services	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 an applicable tax treaty. A 15% withholding tax applies to dividends paid to an individual, unless the rate on payments to a nonresident individual is reduced under an applicable tax treaty. 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 a rate of 20% or 15%, respectively, unless the rate is reduced under an applicable 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 to 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 an applicable 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 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 services, and business consulting services are subject to a 20% withholding tax, unless the rate is reduced under an applicable 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 or immovable property located in Serbia are subject to a 20% withholding tax, unless the rate is reduced under an applicable 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 electronically, 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.

An obligation to submit a country-by-country report to the Serbian tax authorities applies only to resident entities that are the ultimate parent entity of a multinational group of related entities with a consolidated annual revenue of at least EUR 750 million.

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: See “Transfer pricing,” above. There are no other 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 imposed on the supply of goods and services carried out by a taxpayer in Serbia in exchange for compensation, as part of the performance of its business activity. VAT also is imposed 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 persons (including subsidiaries and branches) is total realized turnover of an amount exceeding RSD 8 million in the most recent 12 months. In the case of nonresident entities, mandatory registration is required if the following conditions are fulfilled:

- The nonresident entity makes VAT-able supplies of goods and/or services, including zero-rated supplies (other than the supply of passenger transport by bus);
- The VAT-able supplies are made within the territory of Serbia; and
- The VAT-able supplies are made to non-VAT registered legal persons or individuals in Serbia.

There is no prescribed registration threshold for nonresident entities, i.e., any VAT-able transaction may trigger a VAT registration obligation for a nonresident.

Filing and payment: The frequency of filing and payment is either monthly or quarterly. However, VAT payers whose VAT-able activities first commence in the current calendar year are required to submit monthly VAT returns for the current year and the following year. After the end of the following year, there is an option for these VAT payers to switch from monthly to quarterly filing if their total realized turnover in the most recent 12 months did not exceed RSD 50 million.

Both monthly and quarterly VAT payers must file VAT returns and pay any VAT due for the previous period (month or quarter) on or before the 15th day of the current period. If 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 payers (both resident and nonresident) are required to submit the “POPDV form” along with each VAT return. The POPDV form provides a detailed analytical breakdown of all VAT-relevant transactions taking place during a particular tax period.

Other: As from 1 May 2022, all entities that are registered for VAT in Serbia must comply with mandatory electronic invoicing (“e-invoicing”) for transactions between businesses and public sector entities (B2G supplies), while mandatory e-invoicing for transactions between businesses (B2B supplies) began as from 1 January 2023. Although e-invoicing is not mandatory for business-to-consumer (B2C) supplies, all VAT-registered entities, including those making B2C supplies, are subject to electronic VAT reporting requirements. Electronic VAT reporting and e-invoicing are required to be carried out via a centralized web portal maintained by the Ministry of Finance.

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 10% 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 that are not deemed to be individuals (such as branches of foreign companies) that follow IAS and IFRS fair value accounting, property tax is imposed 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 (“catalog value”).

For individual taxpayers, tax is imposed on the catalog 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, vessels, aircraft, and the right to use 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 tax or net worth tax.

Inheritance/estate tax: Tax is imposed 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 concluded more than 60 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Serbia on 1 October 2018. For information on Serbia’s tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Tax Administration, Customs Administration

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