

## Amendments to the Mandatory Social Security Contributions Law

Tax Alert, May 2013



## Amendments to the Mandatory Social Security Contributions Law

The amendments to the Personal Income Tax Law and the Tax Procedure and Tax Administration Law are followed by the changes and amendments to the Mandatory Social Security Contributions Law (the Law).

One significant change is the increase in the rate for mandatory pension and disability insurance contributions from 22% to 24%. That said, in the case that the contributions are borne both by the employee and the employer, the rate for contributions borne by the employee has been increased to 13%, while the rate for contributions borne by the employer remains unchanged, 11%.

Bearing in mind the changes to the Personal Income Tax Law, the contributions base includes voluntary health insurance premiums, paid by the employer from his own funds for the benefit of the employees – beneficiaries, who take part in voluntary health insurance plans in Serbia. Such voluntary insurance premiums will be taken into account when calculating mandatory social security contributions if they, together with pension contributions to the voluntary pension fund paid by the employer from his own funds for the benefit of the employees – members of the voluntary pension fund, exceed the amount of RSD 5,214.

Further, the contributions base for entrepreneurs who are subject to personal income tax for actual income is the amount of monthly personal earnings, or the taxable profits if the entrepreneur does not pay out personal earnings.

Another important change is that the contributions base for the founders or stakeholders is the minimal contributions base, in accordance with the Law, instead of the taxable profits, which was previously prescribed. Additionally, it has been designated that founder's or stakeholder's contributions are to be calculated and paid by the company.

Finally, the amendments to the Law prescribe that if the employer, who does not have the funds to pay out employee's salaries, does not calculate and pay contributions until the end of the current month, such calculation will be performed by the competent Tax Administration organizational unit, on behalf of the employer, based on the available data.

### Coming into force

The Law comes into force the next day from the day of publication in "Official gazette of the Republic of Serbia".

The regulations pertaining to the calculation of contributions by the competent Tax Administration are to be applied from 1<sup>st</sup> January 2014.

The payers, who, up until the day of application of the Law, carry out payment of part of the salary or salary reimbursement, will be obligated to apply the regulations of the previously applicable law to the calculation and payment of mandatory social security contributions.

# Contacts

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