



Deloitte Tax Alert

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A number of laws that amend the existing tax legislation were adopted last week. The amendments refer to: Corporate Income Tax Law, Law on Value Added Tax, Personal Income Tax Law, Law on Tax Procedure and Tax Administration, Law on Pension and Disability Insurance, and Law on Mandatory Social Security Contributions.

Furthermore, Double Taxation Treaties concluded between Serbia and Vietnam (*"Official gazette of RS - International Treaties"*, no. 7/2013), Georgia, Canada and Tunisia (*"Official gazette of RS - International Treaties"*, no. 6/2012) will enter into force on January 1st 2014.

Recently, Ministry of Finance has issued several new rulings that further explain implementation of Value Added Tax Law and Corporate Income Tax Law provisions.

Amendments to the Value Added Tax Law

The reduced VAT rate has been increased from 8% to 10% and the taxation of supply of personal computers and its components is moved to standard 20% rate, as of January 1st, 2014. Prior to the amendments, the mentioned supply has been subject to reduced 8% tax rate. This amendment has been introduced for the purpose of harmonization with the EU legislation.

Amendments to the Corporate Income Tax Law

The Parliament cuts tax incentives for investments into fixed assets. Until the end of 2013, the taxpayers in Serbia will be able to use tax incentives for investing in fixed assets in the form of tax credits which can be carried forward for next 10 years. As of January 1st, 2014 this incentive has been removed from the Serbian tax system by removing Article 48 from the Corporate Income Tax Law.

However, this amendment will not affect the ability to use the tax credit which taxpayers have acquired in previous periods. The unused part of the tax credit may be carried forward up to 10 years (e.g, the unused part of the tax credit which is acquired in 2013 may be used in 2023, at the latest).

New Ministry of Finance's Rulings are:

- **VAT treatment of supply of services of leasing software for a period up to one year, when the contract does not stipulate periodical invoicing** – When the VAT payer provides services by leasing software for a period no longer than one year, and whereby contract, under which the mentioned service is provided, does not stipulate periodical invoicing nor periodical payment of consideration, but a single consideration is agreed on for the entire period of providing service, such service is a time-limited service which is deemed as supplied on the day when the legal basis for providing that service is terminated.

In this regard, if VAT payer which supplies the time-limited service receives the consideration or part of the consideration before the supply was made, it is obliged to issue advanced payment invoice on that base. Total amount of consideration in the final invoice will be reduced in the amount of advanced payments.

(Ministry of Finance's Ruling, no. 413-01-301/2013-04 from 10/10/2013)

- **VAT treatment of fuel supply "in a row"** – When the retail seller of petroleum products, based on the contract concluded with the cards issuer based on which final buyers of petroleum products take over the delivered products, delivers petroleum products directly to the final buyer - the cardholder, such supply is deemed as supply of goods in a row. Namely, in such a case it is considered that there are two supplies of goods, the supply by the retail seller of petroleum products to cards issuer, and supply by the card issuer to the final buyer - the cardholder.

(Ministry of Finance's Ruling, no. 011-00-00636/2012-04 from 21/10/2013)

- **VAT treatment of leasing business premises without consideration, to a person with which a lease agreement is concluded** – Lessor who, in accordance with business policy, for a certain period of time does not charge rent to a person with which the agreement on lease of business premises is concluded is not obliged to calculate VAT on this basis, considering that these activities are carried out by the VAT payer for the purpose of increasing its revenue i.e. for business purposes. However, if the lessor charges any consideration for giving the business premises to use (e.g. reimbursement of costs for electricity, water, etc.), this is deemed as supply of services for a consideration and for which there is an obligation to calculate VAT. The tax base in such case is the amount of consideration, excluding VAT, which the lessor receives or has to receive for the supply in question..

(Ministry of Finance's Ruling, no. 413-00-25/2013-04 from 12/11/2013)

- **Calculation and payment of withholding tax when a non-resident taxpayer converts credit receivable from a resident legal entity into capital** – When the non-resident taxpayer converts its receivable (principal debt and interest), from credit given to a resident legal entity, into capital of the resident legal entity, at the moment of conversion withholding tax should be calculated and paid on the part of the receivable referring to the interest.

(Ministry of Finance's Ruling, no. 413-00-145/2012-04 from 11/05/2013)

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