



Deloitte Tax Alert

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Several new Rulings have been issued by the Ministry of Finance relevant for applying the provisions of the VAT Law and Corporate Income Tax Law.

Further, the Stabilization and Association Agreement between EU member countries and the Republic of Serbia has entered into force and it will, amongst other things, have a direct impact on the business operations of companies in Serbia.

The abovementioned Rulings of the Ministry of Finance are:

- **The conditions under which the transfer of the entire stock of goods can be considered as a transfer not subject to VAT** – When the VAT taxpayer engaged in trading, transfers the entire stock of goods, which is considered as part of his assets, such transfer shall not be considered as a taxable supply, provided that: this transfer prevents the transferor from performing this business activity and at the same time enables the acquirer of assets to perform this business activity in the future.

(Ruling of the Ministry of Finance, no. 011-00-01040/2013-04 issued on September 12th 2013)

- **VAT treatment of the supply of refrigerators for use to product distributors, free of charge** – The VAT taxpayer – manufacturer of frozen goods, which provides refrigerators to customers (distributors) for use, free of charge, for the purpose of storing these goods, is not obliged to pay VAT on such supply. The supply of refrigerators free of charge is not considered as a supply of services subject to VAT, considering that the supply is performed for commercial purposes, i.e. in order to increase the taxpayer's revenue.

(Ruling of the Ministry of Finance and Economy, no. 011-00-00092/2013-04 issued on August 27th 2013)

- **Establishing and paying the withholding tax on the purchase of waste materials from a nonresident legal entity** – When calculating withholding tax in the case when a resident legal entity purchases the waste materials from a nonresident legal entity, i.e. entity resident of the country with which Serbia has concluded a DTT, the provisions from the respective contract will apply.

(Ruling of the Ministry of Finance and Economy, no. 430-01-306/2013-04 issued on June 25th 2013)

The Stabilization and Association Agreement (SSA):

Under this agreement Serbia was granted the status of state associated with the EU and for the first time the comprehensive contractual relationship is established, so that the rights and obligations of contractual parties are clearly defined.

By concluding the SSA, the Serbian economy is provided with duty-free access to the market of 500 million customers, with minor exceptions. On the other hand, Serbia has committed to abolish customs duties in phases by January 1st 2014. The customs duties will be abolished on industrial goods as well as for about 75-80% of agricultural products originating from EU in accordance with

the agreed schedule. Further, Serbia has agreed not to introduce any new measures of fiscal discrimination against goods from EU in its market.

This obligation is exempt only in the category of especially sensitive products for which the liberalization is not foreseen, at least not completely. Some of the sensitive products are: apples, certain dairy products, meat and meat products, tobacco etc. For these products there will be certain level of customs protection even after January 1st 2014.

Contacts

For more information, please contact our experts:

Srđan Petrovic
Partner

Terazije no. 8
Tel: + 381 11 3812 222
spetrovic@deloittece.com

Svetislav V. Kostic
Director

Terazije no. 8
Tel: + 381 11 3812 148
skostic@deloittece.com

Dejan Mrakovic
Manager

Terazije no. 8
Tel: + 381 11 3812 172
dmrakovic@deloittece.com

Filip Kovacevic
Senior Consultant

Terazije no. 8
Tel: + 381 11 3812 164
fkovacevic@deloittece.com