

Recent Changes in Tax Legislation

In the second part of December 2010 Serbian authorities have shown significant tax legislative activity. Changes to the following laws have been proposed and adopted:

- Law on taxation usage, holding and carrying of certain goods;
- Excise duty law;
- Property tax law.

Changes to the Value added tax (VAT) law have also been proposed, but did not come into force. However, VAT legislation has been changed by enacting changes to the Rulebook on VAT exemption with and without recovery right.

We list the major changes for your further consideration below:

Tax on mobile phones abolished as of 2011

Adopted amendments of the Law on taxation of certain goods usage, holding and carrying envisage abolishment of tax on mobile phones as of 2011.

Changes in VAT legislation

Proposed changes to VAT Law

Proposed amendments to the VAT Law envisaging increase of tax rate from 8% to 18% for computers, hotel and other accommodation and citrus fruit did not come into force. This is due to inconsistency with Law on Budget for 2011. The proposed amendments will be discussed again in the Serbian Parliament in the coming months.

Enacted changes to the Rulebook on VAT exemption with and without recovery right

The Ministry of Finance has enacted changes to the Bylaw on VAT exemption with and without recovery right. The changes are mainly dealing with the issue of VAT exemption on transactions performed on the basis of a donation agreement with the Republic of Serbia. The new Bylaw prescribes somewhat more demanding documentary requirements for obtaining tax exemption and also provides more detailed instructions for the procedure to be followed in this respect.

Also, the new Bylaw deals with VAT exemption for transport and other services associated with the import of goods when the value of such services is included in the tax base for the imported goods. According to amendments, in order to obtain the exemption, in addition to previously existing requirements, the taxpayer must obtain the customs declaration proving the total value of the expenses was included in the customs value of the imported goods.



Excise duty

Changes to excise duty law envisaging higher imposts on oil derivatives and cigarettes have been adopted in December 2010 and are applicable as of 1 January 2011.

Amendments to excise duty on oil derivatives

	Previous version of the Law	Current (amended) Law
All types of gasoline	44,00 RSD/lit	45,00 RSD/lit
EURO BMB 98 and EURO Premium BMB 95	44,00 RSD/lit	49,50 RSD/lit
Diesel fuel	30,00 RSD/lit	35,00 RSD/lit
EURO Diesel	30,00 RSD/lit	37,00 RSD/lit
Other oil products obtained from oil fractions having distillation range up to 380 C	32,00 RSD/kg	53,34 RSD/kg
Liquid petroleum gas	15,00 RSD/kg	17,95 RSD/kg

Amendments to excise duty on cigarettes

The Amendments of the Excise duty law introduce changes to amounts of excise duty payable per pack of cigarettes as presented bellow. The amount of excise duty payable ad valorem was not changed and remains 35% of the retail price of the cigarettes.

	Previous version of the Law	Current (amended) Law
From 1 January to 31 December 2011	21,00 RSD/pack	26,00 RSD/pack
From 1 January 2012	25,00 RSD/pack	30,00 RSD/pack

Changes to the Law on property taxes

Property tax

The adopted amendments expand list of real estate subject to property tax to include lease of public urban building land and agricultural land owned by the State.

There are also significant changes to taxation of taxpayers who do not keep accounting records (individuals and other):

- The depreciation rate which can be used to reduce the tax base for the real estate is now reduced from 1,5% to 0,8% . Tax base in this respect cannot be reduced by more than 40% compared to previously applicable 70%.
- Although it was originally envisaged to abolish progressive taxation and to introduce proportional rate, these amendments were not adopted. (Exceptionally, land is taxed with proportional rate of 0,3%). Although the progressive taxation has not been abolished, the adopted amendments introduce lower tax rates and higher thresholds.
- In order to prevent sudden significant rise in tax liability, property tax liability for 2011 will be determined in the amount not higher than 60% of the liability for 2010 for the same real estate. This limit will not apply for the following years.

Following amendments were adopted in relation to tax exemptions and possibility to reduce tax liability:

- Land under a building is tax exempt provided that the property does not exceed 500 sqm;
- Property tax on real estate occupied by the taxpayer can be reduced by 50% but not more than RSD 20,000. Previously applicable provision allowed 40% deduction for the taxpayer and 10% per each member of the household, but not more than 70%.

Inheritance and gift tax

Most significant changes to the inheritance and gift tax encompass the following:

- Introduction of proportional tax rate of 1,5% for tax payers in the second order of succession instead of progressive rate (2% and 2,5% previously applicable); The rate for tax payers for any subsequent order of succession remains 2,5%.
- In order to eliminate double taxation, tax credit was introduced on inheritance and gift in a form of movables received from abroad;
- Non-taxable amount for inheritance and gift tax is increased from RSD 9,000 to RSD 30,000.

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