**Topics covered in this newsletter are following:**

[1. Arm’s Length Interest Rates Applicable for 2021 1](#_Toc34820080)

1. Arm’s Length Interest Rates Applicable for 2021

**Ministry of Finance has published the Rulebook on Arm’s Length Interest Rates applicable for 2021 that applies on related parties’ loans. Rulebook comes into force on March 27, 2021.**

Interest rates in accordance with “arm’s-length” principle that apply on banks and financial leasing companies for 2021 are:

* 0.67% applicable to short-term loans in RSD;
* 3.79% applicable to long-term loans in RSD;
* 2.83% applicable to loans in EUR and dinar loans indexed in EUR;
* 3.94% applicable to loans in USD and dinar loans indexed in USD;
* 2.61% applicable to loans in CHF and dinar loans indexed in CHF;
* 3.96% applicable to loans in SEK and dinar loans indexed in SEK;
* 1.88% applicable to loans in GBP and dinar loans indexed in GBP;
* 2.56% applicable to loans in RUB and dinar loans indexed in RUB.

Compared to 2020, falling trend of interest rate for other companies has continued, as it follows:

* 3.69 % applicable to short-term loans in RSD;
* 3.90% applicable to long-term loans in RSD;
* 2.32 % applicable to short-term loans in EUR and dinar loans indexed in EUR;
* 2.83% applicable to long-term loans in EUR and dinar loans indexed in EUR;
* 6.86% applicable to long-term loans in CHF and dinar loans indexed in CHF;
* 1.57% applicable to short-term loans in USD and dinar loans indexed in USD;
* 4.01% applicable to long-term loans in USD and dinar loans indexed in USD.

Taxpayers can use prescribed interest rate for determining corporate income tax in 2021, i.e. when calculating adjustment of expenses and incomes between related parties.

Additionally, we note that aforementioned interest rates can be used during 2021 while paying out interest rates for received loans, i.e. loans from foreign related parties, since most of Double Taxation Treaties prescribe option of using beneficiary withholding tax rates only up to “arm’s length” interest rate amount. Withholding tax rate of 20% is applied on amount that exceeds “arm’s lenght” interest rate.

For any further questions, TPA team is at your disposal.



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This Newsletter is a service of TPA Serbia

Kind regards

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