



## NEWSLETTER 3/2021

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### 1. Law on Amendments to the Law on Personal Income Tax and the Law on Amendments to the Law on Contributions for Compulsory Social Insurance

In the official Gazette of the Republic of Serbia no. 118/2021 from 9.12.2021, the amendments to the Law on Personal Income Tax and the Law on Contributions for Compulsory Social Insurance were published.

Some of the most significant amendments are:

- increase of the non-taxable amount of salary to RSD 19.300 – as of 1.1.2022;
- reduction of the contribution rate for PIO to 25% - as of 1.1.2022;
- the new tax relief for newly employed persons who did not have the status of an insured employee, entrepreneur, or founder of employees in its company in the period from 1.1.2019. to 28.2.2022. - the employer is exempt from 70% of the calculated personal income tax until 31.12.2024. The minimum monthly salary cannot be lower than RSD 76.500 (gross 1). This relief will apply as of 1 March 2022;
- reduction in terms of annual personal income tax for taxpayers under the age of 40 - the sum of salaries, taxable income from self-employment and taxable income from royalties and related rights and industrial property rights is further reduced by three average annual salaries per employee paid in Serbia in the year for which the tax is determined. This benefit will apply as of 1.1.2022;
- the new tax relief that will be applicable as of 1.3.2022. by employers who perform research and development activity in the territory Republic of Serbia, with the fulfillment of the prescribed conditions. The mentioned relief does not refer only to new employees, but it can also be used based on payment to existing employees, with the fulfillment of certain conditions. The employer is exempt from payment of 70% payroll tax and 100% of contributions for mandatory pension and disability insurance ("PIO" in Serbian) at the expense of the employee and at the expense of the employer, for the salary of persons directly engaged in research and development activity, in proportion to the time that such persons spend on research or development activity compared to full-time work. The relief can be used by legal entities that conduct research and development activities for their own purposes and retain ownership of intangible assets that may arise from such research;
- the period of application of the tax exemption based on the salary of qualified new employees is extended, whereby additional conditions are prescribed for the continuation of tax exemption application until the end of 2025.



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### 2. Law on Amendments to the Law on Corporate Income Tax

**In the official Gazette of the Republic of Serbia no. 118/2021 from 9.12.2021, the amendments to the Law on Corporate Income Tax were published.**

Only one amendment was adopted, which allows the taxpayer not to include the capital gain realized by transferring intellectual property rights to the capital of a resident legal entity in taxable profit, prescribing the conditions that have to be met so that the taxpayer does not lose the right to this tax relief. Also, it was adopted that this amendment to the law applies to the determination, calculation and payment of tax liability for 2022, i.e. for the tax period that begins in 2022.

### 3. Law on Amendments to the Law on Property Tax

**In the official Gazette of the Republic of Serbia no. 118/2021 from 9.12.2021, the amendments to the Law on Property Tax were published.**

The most significant change refers to the transfer of used motor vehicles, where the buyer will be the taxpayer for the tax on the transfer of absolute rights.

Also, the tax base for inheritance and gift tax, as well as tax on the transfer of absolute rights related to the transfer of property rights on used motor vehicle has been changed. Namely, the tax base will no longer be the market value, determined on the basis of the AMSS catalog. The amount of the tax base will be determined by applying the appropriate formula, depending on 3 parameters: vehicle engine displacement, vehicle engine power and vehicle age factor. By entering the stated criteria on the appropriate portal, taxpayers will be able to calculate the value of the vehicle.

In the case of this transfer between persons who are not VAT payers, the principle of self-taxation will apply, whereby no tax return will be filed, but by entering the appropriate parameters on the portal, these persons will receive a document that will replace the Tax Administration decision, which they can use to pay tax at the bank. For VAT payers and legal entities, the tax will continue to be determined by Tax Administration decision. These changes will enter into force as of 31 March 2022.

Starting from 1.1.2023, Public Revenue Offices fully determine, collect and control inheritance and gift taxes and transfer tax.

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Kind regards

Your TPA Team

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